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PROVING GROUND FOR US NEOCOLONIALISM

AN HISTORICAL OUTLINE OF THE INFILTRATION OF LATIN AMERICA BY MONOPOLY CAPITAL

18

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INTRODUCTION

The disintegration of the colonial system and the emergence of new states have reshaped the political geography of the world. Faced with the need to adjust to new conditions, world imperialism is forced to use new strategy and tactics. Territorial possession is no longer the chief method of exploiting other peoples and seizing the sources of raw materials or exporting capital. Today, with the competition between the two systems and the collapse of colonialism the principal and most successful means used by the imperialists, is not direct seizure of new colonies, but a system of indirect subjugation. The most important element of this system is economic enslavement of the new politically independent states. A complex of socio-economic, political, ideological and military measures aimed at the subjugation of the liberated nations comprise the essence of neocolonialism. However, as a result of the objective laws of capitalism, the loss of economic independence leads to infringement on political sovereignty.

The nature of imperialism is such that every action it takes in the field of economics or foreign policy is dictated first and foremost by its own direct interests. And if today, imperialism is forced to give up, although unwillingly, overt colonialism it seeks other ways of attaining its

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objectives. In conditions of a constantly increasing struggle for national freedom, imperialism begins to favour more flexible and covert forms and methods of subjugating peoples and countries.

Neocolonialism is a new phenomenon encountered by the majority of developing newly freed countries of Asia and Africa. However, the methods of neocolonialism have taken a long time to evolve. They are well-known in those countries of Latin America, which became politically independent in the twenties of the last century. In this long period not one Latin American state, no matter how rich in raw materials or manpower, nor how actively it made use of foreign imperialist "aid," has reached a high degree of industrialisation. The experience of Latin America is instructive for the developing nations of Asia and Africa which have recently cast off the colonial yoke and which are exploring forms and methods of relationships with imperialist states. In this connection it is of great theoretical and practical interest to analyse some of the forms of US neocolonialism in Latin America, which at first served as a kind of testing-house and later as a broad field for the development and application of the methods of covert enslavement.

BRITAIN AND THE BEGINNING OF NEOCOLONIALISM IN LATIN AMERICA

The history of Latin America is inseparably linked with the economic offensive of foreign companies. The study of the penetration of foreign capital into Latin America is highly instructive.

After winning political independence, many Latin American countries introduced protective tariffs to defend their young and still weak economies. National industrial enterprises began to develop behind customs barriers. In Mexico, for example, textile mills began to appear in the twenties of the nineteenth century. Technically and, as regards equipment, they could easily compete with their counterparts in Britain. Incidentally, this is a fact which goes to show that national industries in Latin America sprang up on their own and not owing to foreign capital, as imperialist ideologists try to claim.

The nationalist forces in Latin American countries were so strong that they could compel their governments to carry out protective measures and in this way create and strengthen the national industries and the merchant marine. Exploitation of mineral resources other than gold and silver began. The first furnaces for smelting ore were built. In order to develop an internal market and expand exports, members of the growing national bourgeoisie began to struggle for different social and economic reforms, particularly agrarian, as well as for encouragement of immigration, in order to meet the growing requirements in manpower.

However, economic progress in Latin America of the countries which had just freed themselves from Spanish colonial rule, was then blocked by other foreign powers, in particular the USA.

The peculiarity of the origin of North American neocolonialism in Latin America is that the US had both a predecessor as well as an expe-

rienced teacher in Britain, America's original motherland. Britain was the initiator of neocolonialism in Latin America.

The appearance of capitalism in Europe is inseparably linked with the foundation by Britain in the seventeenth century of colonial possessions in North America. These colonies, which were situated on the present territory of the USA, were one of the most important sources of the wealth and strength of Great Britain which became the industrial workshop of the world and the ruler of the seas.

When these colonies gained political independence, British policy, which had already accumulated considerable experience in political manoeuvring, was faced with the problem of developing new strategies and tactics. It was no longer possible to preserve by force of arms economic and political privileges in the Western Hemisphere, where the onrush of the freedom struggle had uprooted foreign domination. The maintenance of the troops of colonial powers imposed a heavy burden on the British treasury. New methods of subjugation were needed. These had to be more flexible and less costly, while at the same time just as effective and capable of preserving British power (although Britain never completely gave up her old methods of colonial domination).[1]

Attempts at using new forms of colonial policy in the USA, where a united and strong state was established right from the start proved ineffective in the long run. True, Karl Marx in 1866 believed that "in their present form the States must still be considered a European colony."[1] However, the victory of the capitalist North in the Civil War of 1861 over the slaveowners of the South led to the strengthening and domination in the United States of the big bourgeoisie which right from the start declared its rights to economic and political hegemony in the country. It was quite another situation in Latin America where natural and manpower resources were no less than in the North, but where opportunities for expansion were greater. With the formation of a large number of economically weak states it was easy to carry out this expansion under the slogan of divide and rule.

[1] In 1833 Britain seized the Falkland Islands, and in 1835 British Honduras (formerly Belize).

In Africa, with its lower standard of living and development of productive forces, and its less developed national liberation movement, British capital by force of arms created new colonial possessions. But in Latin America, where the degree of economic development was higher and the ideas of continental unity stronger, such a policy could prove to be fruitless. It was Britain which first employed the strategy of neocolonialism in Latin America.

In the system of British neocolonialism, the primary role in the first stage of this process was played by trade and loans. It was as early as 1776 that Adam Smith wrote in *Inquiry into the Nature and Causes of the Wealth of Nations* that "Britain founded a great empire solely with the aim of creating a society of consumers." Trade shook the foundations of Spanish domination. Having adopted the slogan of free trade, British

[1] Karl Marx, *Capital*, Vol. I, p. 451.

merchants began to use Latin America as a market for the sale of their produce. It is noteworthy that Sir Walter Raleigh, the herald of British capitalism, said that he "who rules the trade of the world, rules the wealth of the world and, consequently, the world itself." [1]

The war for independence in Latin America put an end to Spanish colonial domination. Latin American bourgeois democratic revolutions remained incomplete. The monopoly of the monarch was replaced by the monopoly of large landowners. The peculiarities of historical development in Latin America were reflected, in particular, in the preservation of large-scale land ownership which proved a most serious obstacle to economic progress. The new colonisers having penetrated the Latin American market, needed social support in order to carry out their plans in the new states. The landed elite and commercial bourgeoisie of Latin America which maintained contacts with Europe proved a kind of fifth column for them. These two main local allies of the neocolonialists firmly opposed protective tariffs which prejudiced their trade interests. They began their struggle against the nationalist-minded industrial bourgeoisie.

European states helped their allies in Latin America by supplying armaments, launching a naval blockade and going as far as direct military intervention. Suffice it to recall, for example, the intrigues of the tripartite alliance against Paraguay which lost six-sevenths of its male population defending its independent economy.

[1] Herbert Aptheker, *The Colonial Era*, New York, 1959, p. 22.

Economic interference went hand in glove with political interference. In pursuit of its aims Britain not only resorted to official loans, but secretly subsidised governments, staged palace coups and set up puppet cabinets.

These joint forces (the landed oligarchy, the trading bourgeoisie and foreign capital) began to force on Latin America by means of loans and arms a regime of "free trade" with advanced foreign countries, a regime which led to the undermining of growth of industry in Latin America. With the victory of socio-political forces, which were oriented toward an external market, the Latin American economy became more and more openly subjugated to the interests of foreign companies.

The slogan "free trade" had a very detrimental effect on the still feeble economy of Latin America. In Argentina, for example, the country's balance of trade was constantly in the red and ultimately the merchants themselves began to suffer heavily. Foreign capital began to penetrate the whole market, not merely into foreign trade. Representatives of national forces in Argentina, Brazil, Chile, Mexico, and other Latin American countries began to express concern about the influence of foreign capital in trade and in industry all of which was achieved without guns or declarations of war. Thus, it was due to the new customs regulations introduced by Mexico in 1821, under the influence of "free trade" ideas, that British, French and American goods flowed into the country. The Governor of the state of Pueblo, Gomez Pedrasa, in his report to Congress early in 1824, bitterly pointed out that "under the new conditions, it seems that Pueblo

is reduced to the status of an agricultural state. Its factories, which, despite their imperfections, attracted considerable sums for investment in the past three years, have almost completely disappeared because of foreign competition." [1]

As was aptly pointed out by Friedrich List, free trade has become Great Britain's chief export. It is not accidental that the Manchester School was born in the centre of the British textile industry. It was hailed with enthusiasm by the Latin American oligarchy, which survived from colonial times after defeating the partisans of national development in civil war and seizing political power. [2] This oligarchy became the ally and servant of the neocolonialists and the chief executor of their policy in Latin America.

In their economic campaign in Latin America the British neocolonialists, as already mentioned, concentrated primarily on trade and loans. In characterising the bilateral agreements between the strong European nations and the weak Latin American country, Simon Bolivar, in his letter to Santander in October 1825 pointed out that "the treaty of friendship and trade between Britain and Colombia can be compared to a peso, one side of which is gold and the other lead. If we tried to sell these two parts, we would easily see they are not the same." [3]

The regime of free trade between the strong European nations and weak Latin American countries quickly led to a balance of payments deficit. In order to cover the deficit foreign capital was sought. In the 1820s and even more so in the middle of the century, foreign loans flowed into Latin America. In her analysis of the basis of economic relations between Britain and Latin America of that period, Rosa Luxemburg wrote: "From whom did the South-American states obtain in 1825 twice as much money and funds for buying English goods than in 1821? The British provided these funds themselves. The agreements on loans which they concluded at the London Stock Exchange served as payment for the goods they exported." She then went on to say: "While this unusual trade went on, trade in which the British demanded from the Latin Americans only the courtesy of buying British goods with English money and using them, British industry flourished in dazzling fashion." [1]

Foreign loans naturally failed to eliminate the balance of payments deficit. Instead they merely provided the finance to cover it temporarily; and in the long run, they increased the deficit and inhibited the development of Latin American countries. Quite often, half the foreign currency obtained from exports went to cover the external debt, i.e., boosted the economic development of the creditor country. In his book, *New Beginnings* Sismondi wrote: "It seems to me that the opening of the huge market which Spanish America offered for the products of industry had a very strong influence on the renewed strength of English manufacturers... During the seven years following the 1818 crisis, so

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[1] *Latin America: Past and Present*, Moscow, 1961, p. 400.
[2] *Desarrollo*, 1967, No. 2, p. 27.
[3] *Carta a Santander*, Potosi, October 27, 1825.

[1] Rosa Luxemburg, *The Accumulation of Capital*, Moscow, 1931, p. 300.

much energy had been spent in order to spread British trade in the remotest areas of Mexico, Colombia, Brazil, Rio de la Plata, Chile and Peru. And even before the Administration decided to recognise these new states it had already taken measures to protect British trade by occupying naval stations." [1]

The deficit in the balance of payments and the method of reducing it led to the devaluation of national currencies and caused inflation. This in turn caused an increased flow of national capital to Europe since Latin America had to pay more for industrial commodities imported from Britain than Britain had to pay for Latin American raw materials. Devaluation and inflation naturally was to the advantage of the merchants, landlords and foreign companies, but put a heavy strain on the workers.

Half a century ago, Lenin, when characterising new forms of colonialism, stressed the development of specific peculiarities of this policy, i.e., the indirect forms of enslaving other nations: "Finance capital and its foreign policy, which is the struggle of the great powers for the economic and political division of the world, give rise to a number of *transitional* forms of state dependence. Not only are the two main groups of countries, those owning colonies and the colonies themselves, but also the diverse forms of dependent countries which, politically, are formally independent, but in fact, are enmeshed in the net of financial and diplomatic dependence, are typical of this epoch." [2]

[1] Rosa Luxemburg, *The Accumulation of Capital*, Moscow, 1931, p. 300.
[2] V. I. Lenin, *Coll. Works*, Vol. 22, p. 263.

US imperialism in Latin America has always preferred indirect, transitional forms of domination. This is because North American imperialism was formerly too weak to use other ways and means, and now, Latin America is strong enough to withstand its pressure. The old, "classical," way has become almost impossible. The strengthening of the liberation movement in Latin America, the growth of the socialist countries' economic potential compels the US imperialists to manoeuvre and sometimes to retreat. It is not because they wanted to that US monopolies began to search for new methods and forms of exploitation. If they could have used the old order and forms of exploitation they would never have tried anything new. However, in the last century they were hampered by the hard-won political independence of the Latin American countries and by their determination to defend their newly acquired independence. Today two more powerful factors have been added to this determination, i.e., the formation of the world socialist system and the crash of the system of colonialism. Today the world is divided otherwise; there are no longer areas inviting territorial partition. And from this stems the necessity of seeking new forms for exploitation of foreign lands and nations.

ECONOMIC ENSLAVEMENT—THE MAIN INSTRUMENT OF NEOCOLONIALISM

Looking through the earlier economic history of Latin American countries, analysing the forms and methods of the origin of foreign penetration,

one can pinpoint many new features of contemporary American neocolonialism. The first neocolonialists in Latin America were the English. The pattern of their economic policy in Latin America was as follows: foreign trade, loans, railway construction (as a means of facilitating the export of cheap raw materials), export of private capital. The same pattern was used with modifications by the US which followed the successful experience of its predecessor.

The difference between early British and American neocolonialism was that Britain was interested mainly in foodstuffs and was doing its utmost to force the Latin American countries into the role of an agrarian appendage. That is why Britain paid most attention to Argentina, Uruguay, and Brazil, i.e., the countries best suited to the British market on account of their excellent natural and climatic conditions for agriculture.

The US produced enough foodstuffs for its own use with a surplus for export. Unlike Britain, the US badly needed industrial raw materials and fuel (not because it did not have them at the time, but because it wanted to conserve its own resources and obtain the cheaper raw materials from Latin America). That is why the US in its early foreign economic expansion concentrated on countries with mining such as Mexico, Venezuela, Chile and Peru.

In effect this was the only difference in the tactics used by the British and American neocolonialists. Certain specific features of US strategy are dictated by historical factors.

Due to the peculiarities of its historical development, mainly the result of its late appearance

as a world power, the US was unable to create a colonial empire similar to those of the West European nations. However, by the beginning of the nineties of the last century, the United States had succeeded in occupying first place among the industrial powers of the world. Since that time, the US has been unrivalled in tempo and level of economic development. Its leadership in world industry gave it the most powerful economic instrument for the enslavement of underdeveloped nations. Furthermore, the US came out of both world wars comparatively unscathed, on the contrary greatly enriched, while the American people in the imperialist epoch have never faced the choice between "guns or butter."

However, the United States has reached its present level not only due to colossal natural resources and vast territory, plus sufficient manpower and remoteness from destructive wars, but also due to its exploitation of other nations, primarily Latin America.

Analysing the characteristics of American imperialism, Lenin pointed out that America "is robbing all and sundry and doing so in a unique fashion. She has no colonies." [1] Indeed, the peculiarity of US external economic policy was that the country was not connected formally with any colonies. The US for a long time has been busy creating an "invisible empire" by means of economic colonialism, Latin America being the centre of this empire.

The United States has in many ways repeated the experience of the British neocolonialists, although on a new basis. When Britain was expe-

[1] V. I. Lenin, *Coll. Works*, Vol. 31, p. 448.

rimenting with neocolonialism in Latin America, the US was concerned mostly with its own problems, including expansion towards the West. Mexico was the first to feel the claws of the new predator (involving the annexation of about half its territory, financial intrigues, political assassinations, such as that of president Madero, etc.). If in the first half of 19th century, the US openly carried out a predatory, expansionist policy, it subsequently resorted to economic methods of enslavement accompanied by political pressure, inequitable treaties, bribery, plots, etc.

The dawn of the epoch of imperialism—at the turn of the 19th and 20th centuries—was marked by the galvanisation of US activities in Latin America. It was during that period, when neocolonialist methods were widely used, that the US encountered active national liberation movements in the former Spanish colonies on the one hand, and the anti-imperialist sentiments of the American people, on the other. The era of US neocolonialism started in the Caribbean. Cuba was one of its first victims.

After the Spanish-American war of 1898, which was the beginning of an epoch of world imperialism, the US, by a series of economic and military-political agreements (the Hay-Guesada Treaty, the Reciprocity Treaty, the treaty establishing the Guantanamo base, the treaty leasing Pinos Island, the Platt Amendment, etc.) succeeded in turning Cuba—officially a sovereign state—into semi-colonial economic dependence as an agrarian appendage. The sugar industry, the backbone of the country's economy, and other branches such as finance, and domestic

and foreign trade fell under the control of US monopolies.

Then came the turn of other countries in the Caribbean and in Central America. Like Britain, the US attached great significance to foreign trade and financial expansion. The Republican politician from the State of Indiana, Albert G. Beveridge, boasted in 1898 that "the trade of the world must and shall be ours, and we will get it as our mother (England) has told us how." [1] Like Britain, which aloit adopted "free trade," US monopolies, after succeeding in lifting trade tariffs and other restrictions, began to pump out of Latin America raw materials at ridiculously cheap prices. This was followed up by swamping Latin America with their ready-made commodities, which eventually led to the undermining of national industry. By the beginning of the First World War, the US had succeeded in occupying a dominant position in foreign trade of the Caribbean.

During the period of the general crisis of capitalism, the ideological cover for US economic policy in Latin America underwent numerous transformations. The dollar diplomacy of William Taft gave way to Eisenhower's good-neighbour partnership which was replaced by the New Frontiers of John F. Kennedy. Adjusting to new and changing conditions, the US policy-makers went out of their way to make their policy more attractive and palatable. However, in character it remains the same, i.e., the strengthening and expansion of US domination in the economy of

[1] Herbert Aptheker, *Laureates of Imperialism*, Moscow, 1955, p. 64.

Latin American countries which is so important for US monopoly capital and for the development of the economies of these countries along channels favourable to North American companies.

The export of capital plays a very important role in the system of neocolonialism, and is a more perfected form of redistributing spheres of influence and enriching industrial powers. Here investments are mainly directed by neocolonialist practices: foreign trade, transport, catering, the primary processing of raw materials supplied to foreign markets. For example, in the late 19th century, two-thirds of all US capital investment in Mexico went on the construction of railways.

The elements of infrastructure — roads, bridges, power stations, some trade and financial organisations, etc., which in the long run facilitate the export of raw materials or profits — do not eliminate economic backwardness. These outwardly visible components of progress in effect create conditions for a more active exploitation of Latin American countries.

The economic offensive launched by foreign capital resulted in distorting the Latin American economy. Thus, the structure of foreign capital investments in Mexico in 1911, was as follows: transport — 39 per cent, mining and oil industries — 32 per cent, trade and banks — 10 per cent, communal services — eight per cent, and agriculture — seven per cent. As for manufacturing, it accounted for a mere four per cent.[1]

[1] *Examen de la situación económica de Mexico,* 1966, No. 492, p. 9.

The special threat that neocolonialism represents is in the "position of strength" which foreign capital captures in the economic field. This is precisely the sphere where the greatest problem — the winning of economic independence — faces the young developing nations.

It is to be recalled that in the second half of the last century, the US as well as Latin America exported agricultural products. Although prising the Manchester scheme of labour division and lauding to the skies the advantages of agricultural specialisation, the US nevertheless began to organise the export of industrial products. In this way, the US strengthened its positions within the system of international economic relations and made economy less vulnerable to external factors. But, although this was good for the US, it had a very adverse effect on the situation in other countries. For example, although Argentina's economic situation in the middle of the last century greatly resembled that of the United States, its subsequent development was quite different. This was largely because the US, following Britain's example, tried to force on Argentina the idea that the country did not need industrial development. This idea was recommended to their other southern neighbours, but rejected by the US for its own economy.

The attitude of foreign monopolies toward Latin American industry became especially clear in the period following the world economic crisis of 1929-33 which proved a very serious test for the existing socio-economic structure of these countries.

During those years, when the demand for agricultural products was very low, the structural

evils of the one-sided economic orientation of Latin American countries became obvious. The agrarian economy was defenceless against the destructive impact of the crisis. The losses suffered by Latin American countries were infinitely greater than those of industrially developed nations. It was during those years that Latin Americans who strongly advocated industrialisation as a means of helping their countries withstand the vicissitudes of the world market made themselves heard. Foreign capitalist reaction to this was characteristic.

While in the past, foreign capital flowed into Latin America and the bulk of it was channelled either into the infrastructure, banks, agriculture, and foreign trade organisations, or invested in state securities — after the crisis it was severely reduced in size. This was connected primarily with the obvious reluctance of foreign monopolies to help in establishing industry, while agricultural activities had become unprofitable. The only exception were the mining and oil industries, which in effect did not eliminate specialisation in raw materials but unlike agricultural products whose demand had fallen sharply, nonferrous metals and oil were in as much demand on the world market as before.

The chief factors determining the attitude of North American monopolies towards capital investment in Latin American industry were primarily the economic importance that a branch of industry possessed for the US and the degree of its profitability. That is why the main sphere of application of North American capital were mining and oil industries which in 1967 were responsible for 41 per cent of all US direct investments in Latin America (in 1965 the figure was 44 per cent and in 1961—53 per cent). It should be pointed out that capital investments in the oil industry comprised 29 per cent. In Latin America oil production increased two and a half to three times faster than in the US. And it was the US which was the main consumer of Latin American oil.

The striving to preserve their own sources of raw materials and obtain cheaper raw materials abroad prompted US monopolies to attach great importance to the external sources of raw materials. During this century considerable changes have occurred in the structure of US foreign trade. While at the beginning of this century the US was an exporter of raw materials and prefabricated goods, now it is one of the biggest buyers of a number of important raw materials and semi-manufactured goods. According to the Canadian economist, Bernard Goodman, as a result of the growth of US industry's demand, the share of industrial raw materials and semi-manufactured commodities in American imports increased from 15 per cent in 1929, to 32 per cent in 1949, and to 41 per cent in 1955.[1]

Whereas during war time and the postwar period US imports increased by 300 per cent, the import of mineral raw materials increased by 800 per cent. At the present time the United States meets more than half her requirements in the 13 most important types of mining industrial products through imports. Latin America is responsible for one-fourth of American imports of industrial materials and prefabricated goods.

[1] B. Goodman, *Industrial Materials in Canadian-American Relations*, Detroit, 1965, p. 5.

Oil, iron ore, manganese, bauxite, tungsten and many other raw materials are delivered directly to the plants and factories of American companies from the mines of affiliated enterprises operating in Latin America. Such great steel monopolies as *United States Steel and Bethlehem Steel* draw largely on Brazilian and Venezuelan iron ore and Brazilian manganese for their products. The share of the shipments of goods from affiliated enterprises in the general volume of US imports from Latin America comprises approximately 50 per cent and in the import of oil, ores and metals — 80 to 90 per cent.

A considerable part of machinery and equipment exported by the US to Latin America is made of the raw materials obtained from Latin American countries. Quite a number of industrial goods exported by the US to other continents are also produced from Latin American raw materials. This leads to a situation where Latin American enterprises are *firstly*, deprived of valuable industrial raw materials, *secondly*, lose out in important industrial orders and, *thirdly*, experience serious difficulties in organising the sales of their own products as a result of the tense competitive struggle with the US monopolies whose positions are strengthened, precisely, by their use of cheap Latin American raw materials.

Chilean experts calculated that if Latin American countries processed their own ores — which cost annually 2,000 million dollars to extract — they would receive an amount of ore worth 50,000 million dollars.

American capital was originally interested in the processing industry of Latin America because of its desire to keep the countries specializing in production of raw materials. US investments are chiefly in the branches of industry engaged in the primary processing of raw materials — in ferrous and non-ferrous metallurgy, and oil refineries. Produced with the help of cheap Latin American raw materials and cheap labour these semi-manufactured goods are then sent for final processing to the United States and other industrial countries. Examples are the export of semi-manufactured ferrous and non-ferrous metal goods, and oils and chemicals, which was well-organised in Mexico, Argentina, Chile, Venezuela and Brazil.

Control of the initial stage of the processing of raw materials represents another threat to the economy of Latin American countries, i. e. the control of foreign capital over this first stage, and hence a very important link in the process of industrialisation. New national processing plants immediately become dependent on foreign suppliers of semi-manufactured goods who thus obtain the opportunity of dictating the volume and nature of subsequent production.

Thus, the United States without resorting to direct territorial annexations succeeded in the epoch of imperialism in securing positions in the economies of Latin American countries. The United States began to exercise what is known in international practice as colonialism without colonies. Having started its active colonial policy at a time when the world was already divided between imperialist states, the US by means of new and more flexible methods succeeded in circumventing the restrictions imposed by other colonial powers.

Characteristic peculiarities of American neocolonialism were defined by the outstanding statesman and late Prime Minister of India, Jawaharlal Nehru. It was before the Second World War that Nehru wrote of the United States: 'Profiting by the experience and troubles of other imperialist Powers, they have improved on the old methods. They do not take the trouble to annex a country, as Britain annexed India; all they are interested in is profit, and so they take steps to control the wealth of the country. Through the control of the wealth it is easy enough to control the people of the country, and, indeed, the land itself, and so without much trouble or friction with an aggressive nationalism they control the country and share its wealth. This ingenious method is called economic imperialism. The map does not show it. A country may appear to be free and independent if you consult geography or an atlas. But if you look behind the veil you will find that it is in the grip of another country, or rather of its bankers and big businessmen. It is this invisible empire that the United States of America possesses.'[1]

CONTEMPORARY FORMS OF ECONOMIC PENETRATION

Latin America has always occupied a leading place in the economic and political strategy of the USA. The stepping up of the struggle in Latin America for economic independence and the

[1] J. Nehru, *Glimpses of World History*, New York, 1942, p. 478-79.

heightened interest shown by the former mother countries of Western Europe in their former colonial positions compel the US to focus attention on this turbulent continent and attach increasingly great significance not so much to the qualitative as to the quantitative aspect in the penetration of the economy of its southern neighbours.

The difference between the countries of Latin America and the majority of Asian and African countries lies not only in the different periods in which they achieved political independence (there is more than a hundred-year gap here), and the different levels of the development of their productive forces, but also in the position and tactics of foreign capital. While until quite recently foreign imperialism in the majority of African and Asian nations mainly played the role of external exploiters, in Latin America—which has known neocolonialist forms and methods for a long time — foreign monopolies have become part and parcel of the national economy of these countries. The great number of US subsidiaries well consolidated in every branch of the economy have become a very effective factor of internal oppression.

While imperialist neocolonialism in Asia and Africa is a comparatively new phenomenon, US neocolonialism in Latin America is almost as old as Latin American independent states themselves. However, it is not static; it changes and is able to adapt itself to every new trend.

Previously, in order to determine the degree of economic dependence, it was enough to know the sum total of US direct capital investments and investments in stock and the US share of

foreign trade. Today this is not enough, and not only because the US guards, as before, and perhaps even more jealously, the real estimates of its capital investments. The fact is that open imperialist control over the economies of other countries is now replaced by more subtle and indirect methods of subjugation.

The forms and distribution of US direct capital investments have also changed. During the first postwar decade the chief sphere for US capital was the mining and oil industries which were orientated toward the external market. However, the development of the raw material crisis, the fall in raw material prices on world commodity markets, the wide spread of synthetic goods and substitutes, as well as the relatively low productivity of labour in the mining industry — all went into making this branch of industry unprofitable. Besides, the movement for economic independence, which was spread to many Latin American countries makes the position of US investors in the field of exploitation of natural resources very insecure. Legislation in a number of countries restricts, to some extent, the influx of new foreign capital investment in the traditional mining branches of industry, and in some countries foreign capital is even being ousted.

In existing conditions the processing industry offers the most lucrative and reliable business opportunities. Small wonder, therefore, that today US capital investment is mainly concentrated on this industry. Unlike the mining and ore industries, manufacturing is connected with the internal market and this increases not only the scope of profits for US monopolies but also the

degree of dependence of Latin American countries. Investments in the processing industry is a means of controlling internal markets.

The effort to keep Latin American countries in the orbit of capitalism and dependent on the US, albeit in a new form, compells North American monopoly capital to resort to manoeuvres. The creation in Latin America of a number of subsidiaries in processing industries as well as the chronic currency difficulties experienced by almost all the countries of the continent, have been responsible for a reduction in purchases from the US. In this situation, US monopolies are compelled to reconsider their attitude toward the development of industry in Latin America. The intention of Latin Americans to create their own many-sided industry and the US monopolies' fear of being left out in the cold prompts them to participate in the process of industrialisation in Latin America in order to control the main industrial projects.

In the period 1961-67, US capital investments in manufacturing doubled, rising from 1,655 million to 3,301 million dollars. At the same time, in such old and "traditional" branches as the oil and mining industries, their volume in effect remained the same (in the oil industry it was 3,247 million dollars in 1961 and 2,917 million dollars in 1967). In the course of the first postwar years manufacturing was responsible for a small percentage of all direct US capital investments, while today, or rather in 1967, the figure became 33 per cent.[1] In Argentina, Brazil and Mexico some 70 per cent of US capital is invested in the

[1] *Survey of Current Business*, October 1968, p. 24.

manufacturing industry. The changing of targets for capital investments means that there is an increasing number of US monopolies interested in economic expansion in Latin America. Previously these were mainly oil, copper, lead, zinc, iron ore, manganese and other raw material companies which were orientated primarily toward the external market. Today, they are being squeezed by the electrical, automobile, machine-building, chemical and other monopolies connected with the internal market.

Table

The Structure of Direct US Capital Investments in Latin America (in millions of dollars) *

	1940	1946	1950	1961	1967
All capital investments	2,705	3,005	4,445	8,166	10,213
including:					
Mining industry	507	506	628	1,105	1,218
Oil industry	516	697	1,233	3,247	2,917
Manufacturing industry	210	399	780	1,655	3,301
Public enterprises	960	880	927	664	614
Agriculture	359	407	520	...	...
Trade	81	72	243	763	1,207
Other	73	45	115	732	956

* *US Investments in the Latin American Economy*, Washington, 1957, p. 111. *Survey of Current Business*, August 1962, p. 22, October 1968, p. 24.

The volume of American capital investments in manufacturing in Latin America is higher than in any other developing area of the world.

In 1967, in Africa 369 million dollars were invested in manufacturing, 986 million in Asia and 3,301 million dollars, or 70 per cent of all investments in the developing world, were invested in Latin America.

Table

Sales of US Direct Investment Manufacturing Affiliates in Latin America, 1957-62 (in millions of dollars) *

	1957	1960	1962
Latin America total:	2,435	3,180	4,190
Argentina	385	696	865
Brazil	659	879	1,125
Mexico	643	770	1,020
Venezuela	268	360	400
Other	480	475	780

* *Private Investment in Latin America, Hearings of the 88th Congress, Second Session, January 1964*, Washington, p. 12.

The sales of American enterprises operating in manufacturing of Latin America in the period 1957 to 1962 increased by more than 70 per cent. It should be said for the sake of comparison that the sales of American enterprises in manufacturing on the US market in the same five years increased by a mere 17 per cent. It is easy to understand that this high increase is connected with the greater profitability of American investments in the manufacturing industry of Latin America. In reality, the sales of American companies are even higher than the official figures quoted above and based on the data pro-

vided by companies which do their utmost to make the scale of their domination in Latin America look smaller than it is. To corroborate this point, one can quote Senator William Benton who visited Latin America in 1960. He gave the figures for the sales of just one American monopoly operating in Brazil, *International Packers* Ltd., which came to four hundred million dollars in one year.[1]

US trade with Latin America in the past decade has not made much progress and in some important goods is even decreasing (it is not for nothing that trade today is the focal point in the economic contradictions between these two areas of the Western Hemisphere), while the sales of North American subsidiaries operating in Latin America are steadily increasing. At the present time, the sum total of the sales of US companies operating only in manufacturing of Latin America exceeds 5,000 million dollars. The entire exports of the US to Latin America comprise approximately 4,000 million dollars.

It is worth looking at the distribution of North American business activity in manufacturing. Eighty per cent of all sales are made in Argentina, Brazil, Mexico and Venezuela, i. e., the biggest countries of this continent, which have the richest sources of industrial raw materials, comparatively big markets, more or less developed transport and relatively skilled manpower. The remaining fifteen countries, which do not offer such favourable opportunities and conditions for the extraction of high profits as the above

[1] William Benton, *The Voice of Latin America*, New York, 1961, p. 33.

four countries, are responsible for 20 per cent of all the sales of North American companies operating in manufacturing.

One of the main concerns of US companies operating in Latin America today is to secure guarantees for their capital investments which have reached vast proportions and penetrated into all the main spheres of the economy today. For them nationalisation is the dreaded spectre that haunts them. Added to this is the fact that for each dollar invested in Latin America monopoly capital extracts approximately three dollars. This makes it easy to understand North America's concern over the steadily increasing "economic nationalism" of this continent.

The North American monopolies behind which the shadow of the Pentagon can be seen quite clearly, and which can count on its military power, never miss an opportunity to make clear that if need be they can resort to an armed intervention to defend their economic interests south of the Rio Grande. At the same time, they are seeking more flexible forms of preserving and expanding their economic domination on the Latin American continent. One of such forms is the wide increase of all types of "joint enterprises" in which local and North American capitals are "cooperating."

The transformation of Latin America from an agricultural to an agro-industrial area has led to changes in the distribution of class forces on the continent. The landed oligarchy which continues to keep its strong economic positions, no longer plays the decisive role in the political life of Latin America and it offers no prospects for the future. At the same time, the Latin American

bourgeoisie is becoming more and more active politically and is gaining economic and, consequently, political force. It is beginning to exert a decisive influence on the formation of economic policy, which is demonstrated by the fact that ruling circles in almost all Latin American countries have decided to carry out various industrial projects.

Today in the most important countries of Latin America the big national bourgeoisie has acquired monopolistic tendencies. It has so consolidated itself that by using the state sector of the economy and increasing its hold of it, it is striving to exploit the internal Latin American market by itself. US monopolies cannot disregard this growing force nor can they leave out of account the prospects of its development. That is why some of them believe that it is necessary to acknowledge the objective new conditions in Latin America and seek an alliance with the Latin American bourgeoisie in order, if not to smother it in its embrace, then at least to dominate it. To attain this it is necessary to participate in the process of industrialisation and create joint enterprises together with the Latin American bourgeoisie, cooperate with it in dividing up the supplies of raw materials and markets, while at the same time entangling it in the net of technical and financial bondage. It is therefore proposed that Latin American bourgeoisie play the role of a junior partner and that the process of industrialisation be channelled in a direction determined by North American industry. That is why the US monopolies increasingly call for US participation in the industrialisation of Latin American nations.

Therefore at the present time US leaders do not openly oppose the process of industrialisation in Latin America. In the present situation it may not be quite safe for the US to do so. More than that, implementation of industrialisation projects is today a basic part of the widely advertised programme Alliance for Progress. And this is fully in accord with North America's strategic plans for Latin America. The participation of US monopolies in the industrialisation of Latin America helps them preserve their dominant position under new conditions.

At the same time industrialisation is not such a simple problem for the US. The process of industrialisation gives rise to contradictions within the monopoly bourgeoisie which exports capital to Latin America.

Representatives of old financial monopoly groups (mining and oil) were in favour of building their investment policy on the traditional raw material branches which are allegedly more profitable. They believe that that is so because oil and non-ferrous metals provide the main bulk of the currency profits from exports; they are against any cooperation with the state sector.

Another, more flexible line is pursued by those representatives of US monopoly capital which already have investments in manufacturing and are intending to expand them; or are planning to make such investments. They are more tolerant of the state sector assuming, not without reason, that interference by the state should help strengthen new branches of industry. However, they believe that the state-owned enterprises should play the role of an appendage to the traditional

capitalist system and not change the existing socio-economic order. A prominent US banking journal writes that there is no doubt that the government should play a vitally important role in economic development by introducing a reasonably stable currency, passing laws and guiding the development of education, health services and highways, etc. However this is not at all the same as planning economic growth, or the working out of detailed programmes of capital investment and the leadership of the economy by means of control, which is an obstacle to the free functioning of private enterprise.[1]

However, both these groups of North American businessmen recognise the existence of change in the socio-economic life of Latin American countries and the necessity of taking this change into consideration.

BLOCKING TRUE INDUSTRIALISATION

The US monopolies would like to preserve Latin America as a storehouse of raw material for the US but they can no longer do so. National industry is growing. The share of manufacturing industry in the gross national product has exceeded that of the share of agriculture, while the export of industrial goods, although still small, is beginning. The US monopolies' fear of losing control of developing industry and, consequently, of the vast Latin American market

[1] *The Monthly Economic Letter. First National City Bank of New York*, July 1962, p. 82.

goads them into introducing very important changes in the structure of their direct investments.

At the present time the total turnover of American companies in Latin American manufacturing is 50 per cent bigger than the value of the entire amount of US exports to Latin America. In Brazil, the sales of American companies in 1957 were 50 per cent greater than US exports and in 1965 trebled (1,300 million dollars).

The profits of American industrial enterprises in Latin America are growing much faster than Latin American industry. And this means that the national companies are being squeezed by foreign monopolies which have great advantage in their competitive struggle. Industrialisation in Latin America, which is accompanied by granting various tax, customs and currency privileges to any industrial company irrespective of whether it is a national or a foreign one, opens up new opportunities for foreign monopolies.

As regards national enterprises they are often unable to compete with the powerful giants who are taking part in the process of industrialisation. The increasing wave of bankruptcies convincingly demonstrates the economic atmosphere in which industrialisation is being carried out in Latin America. The greatest damage is suffered by petty and middle bourgeoisie who are wiped out by the process of industrialisation. It is not accidental that Latin American economists and sociologists express alarm for the fate of their national enterprises. Many of them believe that under the prevailing conditions industrialisation is identical with Americanisation.

In their drive to participate in the process of industrialising Latin America, US monopolies deform the structure of Latin American industry and subjugate it to their own interests. They create an artificial block to the development of the productive forces in Latin America thus causing a rise in the cost of production of a number of industrial commodities, and depriving them of any opportunity of reaching world markets. As soon as Latin American industry began gathering momentum, it ran into problems associated with old age, such as factories working below capacity. Many Argentine, Brazilian, Colombian and Uruguayan enterprises utilise only from 60 to 80 per cent (and in some cases 30 to 40 per cent) of their production capacity. One of the main reasons for this paradox is the sharp competition of foreign monopolies which have entrenched themselves in the Latin American domestic market. The incomplete use of production capacities of industrial enterprises creates a very acute unemployment problem for Latin America. Today, 10 per cent of the working population are unemployed.

At the present time in Brazil, Mexico, Argentina, and Uruguay over half of direct US investments is concentrated in manufacturing which resembles the structure of American capital investments in Western Europe. However, this similarity is only on the surface. The bulk of investments is channelled into enterprises which process agricultural products, into textile and oil refining industries. As regards machine building, here overwhelmingly the greater part of capital investments has been channelled in the automobile industry. This distribution of investments deepens the disproportion in the national economies of Latin American states and increases the uneven development of separate industries, thus preventing Latin American countries from using the achievements of modern science and technology. Their industry is suffocated because of lack of capital and is experiencing an acute need of capital for key industries, while at the same time there is excessive production capacity in the automobile industry and in the production of electric appliances as well as a number of other consumer goods. It is these industries which continue to attract foreign capital investments which are squeezing out national capital.

The process of decapitalisation leads to a relative lagging behind of Latin American industry. Many of national industries are experiencing an acute crisis, are being strangled from lack of financing for industry, from the impossibility of acquiring new credits and renewing the basic capital. The number of bankrupt companies is steadily increasing and this plays into the hands of foreign monopolies which buy up the bankrupt companies at very low cost in the unequal combat with Latin American industry.

The tempo and proportion of development of industry depend not only on the direction of investments but also on the scale of accumulation of capital. The instability and contradictory nature of the industrial development is connected with the low rate of accumulation which is steadily getting lower. The coefficient of investment, i. e., the ratio of gross investments to the entire GNP dropped from 17.3 per cent in 1960,

to 16.3 per cent in 1965.[1] This is one of the lowest levels of accumulation in the world. The following reasons are mainly responsible for this slow rate of industrial growth.

The export of national capital abroad, caused by the unprofitability of investing capital in industry or trade under conditions whose acute competition with foreign monopolies exists. According to the estimates of some economists, the sum total of Latin American capital deposited in foreign banks fluctuates from 10,000 to 15,000 million dollars a year, which equals the entire amount of US assistance under the Alliance for Progress programme.[2] And this is without counting the investments in stock. According to official estimates in 1962 alone, Latin American deposits in New York banks increased by 70 to 80 per cent, while deposits from other countries showed an 18 per cent increase.[3]

The huge sums annually exported by foreign monopolies in share profits, dividends and other types of income. The size of the officially declared profits based on information provided by the monopolies themselves greatly exceeds the sums received from external sources. Because of the growth of US capital investment in the Latin American manufacturing industry, the profits of American corporations are always increasing. The cost of the product per unit of capital in-

[1] *Economic Bulletin for Latin America,* New York, April 1966, p. 8.
[2] *Economia,* Bogotá, 1966, No 10, pp. 47-48.
[3] *Private Investment in Latin America. Hearings of the 88 Congress, Second Session, January 1962,* Washington, p. 12.

vestment in manufacturing industry is 60 per cent higher than the average interest on US investments. According to the estimates of the US Department of Trade, the profits of US corporations operating in Latin America comprise annually from 1.2 to 1.3 thousand million dollars.[1]

Table

Export of US Private Capital to Latin America, Reinvestments and Gross Profit (in millions of dollars) *

Year	Export of Capital	Reinvestments	Profits
1950	45	100	602
1951	182	209	803
1952	302	265	807
1953	137	127	673
1954	70	116	677
1955	167	176	862
1956	618	205	979
1957	1,163	239	1,096
1958	299	143	760
1959	218	202	773
1960	95	215	829
1961	141	221	910
1962	32	287	1,028
1963	64	173	964
1964	156	219	1,104
1965	176	306	1,160
1966	162	299	1,261

* *Balance of Payments, Statistical Supplement. Survey of Current Business,* September, 1955-67.

[1] *Survey of Current Business,* October 1968, p. 24.

Various manoeuvres of American companies in the sphere of external trade under the policy of "non-equivalent exchange." This policy is responsible for the artificially heightened prices of industrial products exported by American monopolies, and also for the fact that US industrial corporations sell machines and equipment at rates twenty to thirty per cent higher than West European firms. They are successful because all sorts of aid programmes are made with the stipulation that Latin American countries buy the bulk of their equipment from the US alone. It is necessary to mention also the artificially lowered prices of raw materials exported from Latin America, and the hard currency profits which provide the main financial source for buying the equipment necessary for the industrialisation of Latin American industry. As a result, Latin America annually loses, on the average, about 1,000 million dollars in the field of foreign trade (including freight and insurance).

In estimating profits one should bear in mind that the total sum of profits is quoted by the US Trade Department on the basis of balance reports submitted by the companies themselves. For example, all the gross profits in Peru in the period 1958—63 were set down at approximately three hundred million dollars. At the same time the net profit of the *International Petroleum Company Ltd.*, alone during the same period comprised 174 million dollars.[1]

The character of American foreign aid. The high interest, the unprofitable and unproductive use of funds, the predominant granting of

[1] *Oil and Petroleum Yearbook*, 1964, London, p. 322.

funds either to affiliates of US companies in Latin America or to national enterprises which are closely connected with foreign capital — all these factors lead to an excessive increase in Latin America's foreign debt. Today, some Latin American countries are forced to set aside one fourth of their export profits to pay off their foreign debts. If they were able to stop this loss of capital, the rate of accumulation would double.

Table

Average Annual Rates of Growth of Real Gross Domestic Product at Factor Cost by Industrial Origin (in per cent) *

	Industrial Activity			
	1950-1960		1960-1964	
	Total	Manufacturing	Total	Manufacturing
World excluding USSR and Eastern Europe	4.8	4.6	5.6	5.7
Developed countries	4.6	4.5	5.6	5.7
Developing countries	6.8	6.7	5.8	5.8
Latin America	6.7	6.5	4.6	4.5

* *El Commercio*, No. 3, Vol. I, 1965, p. 3. *Yearbook of National Accounts Statistics*, 1965, UN, New York, 1966, p. 470.

The contemporary economy of Latin America is characterised by a low rate of industrial growth and a high increase of sales by American companies, or by their joint companies. This means that foreign capital continues to squeeze national capital.

Of late, when the chronic balance of payments deficit in the US caused by vast military expenditure has become acute, Washington still insists that the US should continue financial assistance to Latin America in the form of steady flow of investment and it does so in spite of the fact that this is detrimental to the US economy. But is it true that US monopolies have adopted the uncharacteristic role of the Good Samaritan?

Lack of capital has slowdowned the rate of industrial growth. According to US Department of Commerce estimates the major share of the money spent by the affiliates and subsidiaries of US companies in Latin America has been provided out of the undistributed profits and depreciation allowances and only a small portion of it by mobilising funds received from the United States. The illusion about the big leak of American capital into the industrial construction in Latin America is shattered in the report of the US Congress Sub-Committee on Inter-American Economic Relations presented in early 1964. The report mentions among other things that the 600 million dollars which the US monopolies invest in Latin America in the form of industrial construction and equipment have been received out of the reinvestment and from the funds of

local capitalists.[1] Thus, taking into consideration the scale of the profits annually exported by American monopolies, one can conclude that it is not the USA which is sponsoring or helping to expand Latin American industry, but Latin America which is helping to strengthen financially the powerful industry of its northern neighbour.

Besides, US monopolies prefer to buy up already functioning enterprises instead of creating new ones. This is a much easier and cheaper operation for them since they avoid administrative problems and expenditure on blueprints, planning, etc.

And finally, quite often these new capital investments assume the form of obsolescent equipment which has been replaced in the parent companies in the US by modern machinery. The revolution in science and engineering has led to an unprecedented rate of obsolescence of machinery and equipment. A two-to-three years term of service is no longer considered long and some of the equipment is considered obsolescent the moment it leaves the factory. North American concerns would have some difficulty in competing with their rivals in Western Europe and Japan, were it not for the existence of the Latin American market. It is there that they sell obsolescent machinery and equipment that cannot be sold on the world market. In Latin America they can bring in great profits. All this means that the factories built in Latin American countries with the help of American capital are not

[1] *Private Investment in Latin America. Hearings of the 88th Congress, Second Session, January 1964*, Washington, p. 24.

equipped with the latest and most modern machinery and equipment. Moreover, US monopolies are not in the least concerned by the fact that Latin American factories equipped with obsolescent machinery will face high production costs, for they can be cut down by lowering wages.

In a paper by a Mexican research team associated with ECLA, it was pointed out that as a result of obsolescent equipment supplied by foreign investors, the technological level in industry in the developing countries is rising much slower than the influx of foreign capital investments. The authors of this paper came to the conclusion that direct foreign capital investments bring in modern technology only in certain cases (for example, in the automobile industry). But this is not the general rule.[1]

Contemporary industry is characterised not only by a high degree of specialisation and cooperation in production, or by the use of the most modern technology and techniques, but also by its large capacity for capital investment. The building of a modern factory requires more capital than in the past. That is why during industrialisation the problems of the accumulation of capital and currency reserves necessary for reimbursing imports of equipment and industrial raw materials become especially acute. In this situation the drain of currency in the form of profits and dividends acquired by foreign monopolies is a very serious obstacle to the industrialisation of Latin America. A large share of the national wealth which the Latin American workers

[1] Victor L. Urquides y Adrían Lajous. *Educación superior, ciencia y tecnología en el desarrollo económico de México*, 1967, México.

have produced is not used to expand and modernise the economy. Instead, it is exported beyond the boundaries of the Latin America. Latin American industry is thus being bled white and as a result the attempts of Latin American countries to bring their own industrial enterprises up to a contemporary world level have very little success. For the actual sums of profits pumped out of Latin America exceed in size not only the sum of new investment but also the funds which are obtained in the form of "aid." (See tables on pp. 46-47.)

The statistics of US capital movement compiled on the basis of material provided by the US Department of Commerce, which is not inclined to exaggerate the scale of its financial exploitation of Latin America, show that in the course of almost the entire postwar period (excluding the year 1957) the total amount of profits exported from Latin America is almost three times more than the influx of new direct capital investment. During this period the US imported into Latin America 6,000 million dollars worth of capital, and succeeded in exporting some 14,000 million dollars (1946—67). And this is without counting the profits made by the US and lost by Latin America in the field of foreign trade (non-equivalent exchange, freight insurance, etc.) and "invisible operations" (patents, technical assistance, etc.).

The large payments on foreign capital investment give rise to an acute shortage of currency reserves and compel Latin American countries to turn to the money market of the United States itself. As a result, the foreign debt of the Latin American countries has sharply increased from

Table

United States Direct Investments Abroad, Net Capital Outflows by Country and Selected Industries, 1950-1966 [Millions of dollars; inflows (—)]. Latin American Republics, total.*

Year	Total	Petroleum	Mining and Smelting	Manufacturing
1946	59	103	—12	18
1947	442	257	25	59
1948	321	207	14	18
1949	429	358	36	1
1950	45	—62	29	64
1951	182	—51	55	117
1952	302	62	121	81
1953	137	69	124	—71
1954	70	—23	3	27
1955	167	56	—4	69
1956	618	363	58	96
1957	1,163	862	131	102
1958	299	147	76	63
1959	218	24	73	54
1960	95	—7	—73	125
1961	141	26	34	73
1962	—32	—115	—3	114
1963	64	—81	—6	107
1964	156	84	—8	93
1965	176	—14	—80	214
1966	162	—67	—24	130

* *Balance of Payments. Statistical Supplement,* 1963, pp. 178-183. *Survey of Current Business,* September-October, 1960-68.

Table

Income on United States Direct Investments Abroad, by Country (Millions of dollars)*

Year	Total	Mining and smelting	Petroleum	Manufacturing
1946	314	43	115	33
1947	451	74	172	60
1948	525	84	243	50
1949	425	44	217	35
1950	513	64	258	55
1951	630	87	305	72
1952	569	81	273	64
1953	561	31	333	64
1954	579	65	335	54
1955	672	91	414	44
1956	800	112	492	55
1957	880	91	576	62
1958	641	80	382	47
1959	600	135	292	50
1960	641	180	311	63
1961	711	139	397	67
1962	761	141	447	70
1963	801	141	466	70
1964	900	172	503	92
1965	869	185	468	109
1966	962	234	471	126
1967	1,022	265	445	175

* *Balance of Payments. Statistical Supplement,* 1963, pp. 178-183.
Survey of Current Business, Sept. 1960-1968.

4,000 million dollars in 1955 to 13,000 million dollars in 1967. The indebtedness of Argentina, Brazil, Mexico, Uruguay and Chile, the most developed countries, rose at a particularly high rate. The first three countries are responsible for three-fourths of the continent's indebtedness. Payments of foreign debts increased from 500 million dollars in the mid-fifties to 1,500 million dollars in mid-sixties (payment of interest and payment of the main debt). In some Latin American countries the foreign debt has reached the level which existed during the world economic crisis of 1929-33. A decrease in the sources of finance is one of the chief reasons for the slowdown of industrial production in the sixties. While in 1953-58, Latin America outstripped the advanced industrial states in increase of gross output (29 per cent against 13 per cent), in 1958-64 the continent began to lag behind (38 per cent against 17 per cent).[1]

Lenin stated that finance capital is the power which is "capable of subjecting, and actually does subject, to itself even states enjoying the fullest political independence."[2] The example of Latin America bears this statement out. Through the export of capital, American neocolonialists have penetrated into all the main branches of the economies of the Latin American nations, above all in the most promising branch — industry. Ramified subsidiaries of US monopolies have been superimposed upon the Latin American continent which, as a result, has become one of the underdeveloped areas of the world.

[1] *The Monthly Bulletin of Statistics*, 1966, No. 2, p. X-XVI.
[2] V. I. Lenin, *Coll. Works*, Vol. 22, p. 259.

The well-known Dutch writer, Multatuli, compared the system of colonial economy which developed under imperialism to a monster pump connected to a whole system of pipes with innumerable ramifications which are attached to the chests of the millions inhabiting the colonies. Any foreign coloniser with capital could use this pumping system and pump out profits.

This system has now been improved. It has been given, as far as possible, a respectable appearance, labouring under such attractive names as "economic cooperation," "partnership" and even "aid." However, it continues to exist and despite the changes which have occurred, or rather thanks to them is functioning quite smoothly. The US monopolies annually extract from Latin America huge profits which are supplied to them by Latin American industry, agriculture, finance, transport, insurance and foreign trade. It is in these main economic spheres that thousands of American companies are operating. The poverty of some and the wealth of others have become the two sides of one medal.

THE ROLE OF THE BANKS HAS INCREASED

From the very start, the United States used on a very large scale a system of credits and loans to entangle the countries of Latin America in a net of financial dependence. In the period between the two world wars, US monopoly capital established financial control over Cuba, Haiti, the Dominican Republic, Salvador, Guatemala, Costa Rica, Honduras, Nicaragua and Venezuela.

Later on, the United States of America, following the example of Britain, began to set up banks in Latin America. Prior to the First World War, British banks occupied a leading position in Latin America. Later on, US banks began to compete for leadership. At the present time, North American banks are among the largest in Latin America and there are more of them on this continent than anywhere else.

Actually half of all US banks abroad were operating in Latin America in the early sixties. American banks can be found in almost every Latin American country and moreover in the majority of cases they are inferior only in assets and scale of operations to the central banks of issue controlled by the state.

In the system of US neocolonialism today, banks play a very significant role. During a period of industrialisation, the function of banks is particularly important. A specific feature of banking is the secrecy of its operations. Banks do not publicise their activity, preferring to act as invisible channels for foreign capital movements.

Unlike industrial companies, banks do not directly participate in the creation of material wealth. However, in accumulating free monetary funds of various strata of the population the banks concentrate in their hands a very formidable financial power.[1] By manoeuvring with credits, the banks exert strong pressure on the rate and volume of production accumulation, the structure of the economy, in particular industry, the rate of its growth and the effective use of sources of accumulation. It is equally important that the banks' influence on the course of the competitive struggle between separate groups of businessmen remain invisible. Quite often the fate of large industrial companies depends on the stand taken by the bank which can support a "necessary" enterprise, or on the contrary, spell its doom without making any announcements or declarations of war.

[1] It is interesting to note that within the first year of its activities the *First National City Bank of New York* in La Paz, Bolivia, succeeded in building up deposits worth one million dollars from the savings of the local Indians. The new branch of the *Bank of America* has also accumulated a large sum of money from deposits made by Indians. From *International Herald Tribune*, January 31, 1969.

US monopoly capital has recently shown much more interest in the credit system of the countries of Latin America, especially in banks which grant industrial credits. By expanding credits or restricting them, banks obtain opportunities of shaping the structure of industry, of changing the correlation between its branches, and in general of influencing the process of Latin American integration.

The *Bank of America (International)* is the biggest private bank not only in the United States, but in the entire capitalist world (its assets are worth 21,000 million dollars), and lately it has started paying very close attention to Latin America. In 1966, this bank bought up the shares of a large Chilean bank, the *Banco Italiano de Chile*. Reckoning to benefit from the rapidly developing integration of Central America, it opened two branches there in 1964.

The Rockefeller's *Chase Manhattan Bank (David Rockefeller)* is the second largest commercial bank in the United States of America (in 1967, its assets were worth 18,000 million

dollars). Unlike the *Bank of America* the *Rockefeller Bank* has been operating in Latin America for some time. In the early sixties, its activities reached a new stage. It acquired a considerable interest in the banking systems of Venezuela and Chile. In late 1964, it bought 51 per cent of all the shares of one of the largest Peruvian banks, the *Banco Continental* which is the fourth biggest bank in the country with 38 branches. In early 1967, this North American octopus acquired 51 per cent of the shares of *Banco Atlántida* (Tegucigalpa) which is the largest private bank in Central America, founded in Honduras in 1913 and possessing 20 branches today.

In explaining the motives behind such an ambitious new departure, the president of the *Chase Manhattan Bank* said that he had been toying with the idea of acquiring representation in Central America for a long time, because a number of the bank's clients are engaged in industrial operations there.[1] The Americanised *Banco Atlántida* is one of the main private institutions which finance projects for the economic integration of Central America.

The *First National City Bank* which is the third largest US commercial bank (in 1967 its assets were worth 17,000 million dollars) has branches in ten Latin American countries and it continues to expand its sphere of influence. In Argentina, in 1967, it bought shares in the *Banco Argentino del Atlántico,* located in the city of Mar del Plata with eight branches.[2]

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[1] *Comercio Exterior,* January 1967, p. 53.
[2] *Comercio Exterior,* January 1967, p. 51.

The powerful North American banks easily overcome the protective barriers put up to bar their penetration of the Latin American credit system. For example, the Brazilian constitution forbids the transfer of Brazilian banks to foreigners. In spite of this, a number of very important banks in the country are controlled by North American capital. Among them are the *Banco Brasileiro de Descontros, S. A.* which is controlled by the United States and is the biggest investment bank in the country and second only to the state *Banco do Brasil, S. A.* in capital assets. The third largest bank of the country, the *Banco Brasileiro de Desenvolvimento, S. A.* which is controlled by the United States. North American capital controls also one of the largest insurance companies, the *Seguradora Brasileira.* There are many examples showing the intervention of US banks in the financial credit system of Latin American nations which have begun industrialisation. It is through banks that US monopolies would like to gain control of the financial levers with which they intend to dominate not only visibly but invisibly Latin American industry and trade.

It is important to mention that of late the United States prefers buying up established banks with a good reputation on the money market than establishing new ones. By using the experience and connections of local financiers and experts they can economize on what they would have had to spend in penetrating the financial system of Latin American countries and can shift the main burden of setting up banks onto these countries.

The policy of integration pursued in Latin America has considerable bearing on the heigh-

tened interest of North American banks in these countries. The lifting of internal trade and customs barriers opens up wide commercial prospects for the US monopolies. In this connection it is easy to understand the statement made at the meeting of the Inter-American Council of Commerce and Production (IACCP) in Buenos Aires in the spring of 1965 by the President of the *First National City Bank of New York*, George S. Moore, in support of accelerating the liberalisation of customs regulations within the framework of the Latin American Free Trade Association (LAFTA) in order to widen markets so that the interested members could develop more effective and competitive economic systems.[1]

The role the banks play also increases with the creation of a chronic balance of payments deficit. As US monopolies are compelled to limit the export of private capital, the opportunities of using Latin American money for investment, naturally under the control of these monopolies, becomes particularly important. This role is played by the branches of North American banks which operate in Latin America. A US finance expert wrote quite openly that while the foreign branches of North American banks are financing the subsidiaries of North American companies through funds obtained from local sources, they ease the US balance of payments deficit.[2]

Thus the expansion of the sphere of influence of US banks in the finance and credit system of

[1] *Comercio Exterior*, March 1965, p. 186.
[2] *Comercio Exterior*, August 1968, p. 677.

Latin America leads to growing international control over internal accumulations and to the increased control by US monopoly capital over credits to Latin American industry and trade. As a result, not only foreign investments but also internal savings are used not for the purposes of national development, but in the interests of strengthening the domination of foreign monopolies.

NEOCOLONIALISM AND THE REVOLUTION IN SCIENCE AND TECHNOLOGY

The revolution in science and technology has accelerated the development of the industrial nations. At the same time it has had an adverse effect on the economic situation of most of the developing countries. The gap in economic development between them continues to widen. The achievements in science and technology get into the hands of the monopolies, above all the US monopolies.

American capital has a strong weapon for exerting pressure on Latin American industry in the sale of know-how and patents. The growth of industry and the development of new forms of economic activity compel Latin American industrialists to improve their production system. At the same time the majority of Latin American countries are not in the position to invest large funds in expensive research work. During the process of industrialisation the sale of patents is

a very important factor. It provides foreign capital with the opportunity of exerting a covert, but strong, influence on Latin American industry. The sale of licenses and patents by US monopolies leads, on the one hand, to the undermining of the small amount of technical and scientific research carried out in Latin America, and on the other, to the increase of technical control over it by foreign capital; it also leads to the necessity of buying foreign equipment and employing foreign specialists. Quite often, the sale of know-how and patents is accompanied by the acquisition of the controlling block of shares of a given enterprise. It should be added that buying of know-how and patents has a very damaging effect on the balance of payments of Latin American countries since the cost of this commodity is very high. It is, moreover, lucrative field of activities for the US monopolies, which provides them with both high profits and virtual control over Latin American enterprises.

In the revolution in science and technology going on today, science has acquired strategic value. It has been estimated that in the long run capital investment in science will produce a much greater productivity of labour than capital investment in installations and equipment. The demand for specialists and experts is growing rapidly.

It is said that the most fairly distributed thing on earth is the human mind; no one ever complains of a lack of it. However, today, an important amendment must be made to this saying. In the capitalist world intellectual merits are distributed just as unevenly as other advantages. Here we are not concerned with the intelligence

of any particular group of people but rather a more concrete and definable factor—the number of qualified specialists. In a country where there is scientific and technological progress, the economic potential is determined not only by its natural and human resources or by its number of factories, but also by the degree to which the economy is provided with highly qualified engineers, scientists and experts. It is on the availability of technical cadres that the implementation of new ideas and the achievements of science and technology in production depends, and consequently a country's ability to compete. Today the United States edges out its rivals not so much by means of dollars, oil, steel and modern machinery but by power of creative intellect and the preponderance of scientific and technical experts. Two principal tendencies have marked US economic strategy in Latin America: US monopolies have begun to export capital for investment in research, using the cheaper intellectual manpower available in Latin America. Today, many laboratories and research institutions in Latin America, especially in the field of chemistry, machine-building, electronics, are controlled by US capital. Exploiting on a wide scale the work of Latin American scientists, engineers and technicians, US monopoly capital not only extracts additional profits, but also controls the rate of development and the direction of scientific research.

US monopolies are importing scientific and technological expertise on a broad basis from Latin America, which adds to their own vast quota of scientists and engineers, and increases the already wide gap in the level of scientific and technological development of the US and other capi-

talist countries. In ancient times, plunder meant more than material wealth. Despots and conquerors also seized architects, artists, scientists and craftsmen for the treasures they could create. It is said that history develops in a spiral, and this appears to be happening today, with the difference that brains and ability are won by the cheque-book instead of the sword.

The United States has had long practice in using talent from other lands. This process began in the 19th century. But while in the past foreign scientists and experts helped the United States catch up with the level of technical progress in other countries, today they give it a considerable advantage.

The influx of highly qualified workers from other countries to the USA has been particularly stepped up in the past few years with the introduction of new immigration rules which take into consideration the so-called usefulness standard. It was in 1952 that priority was given to issuing visas for immigrants with higher education. In 1962, the restrictions on permanent residence for foreign scientists and experts with higher education were eased even more. Finally, the immigration law which came into force on July 1, 1968, in fact offered privileges to highly qualified experts from the developing nations entering the country. These measures have yielded results. According to information released by the House Committee on Government Operations, the influx of scientists and experts into the United States in the period between 1956 and 1966 has increased and its composition changed. In 1956, the developing countries accounted for one-third of all immigration of scientific and technical experts, while in 1966, this figure had increased to about one-half. [1]

Therefore, while the bulk of experts entering the USA used to come from Western Europe and Canada, the period after the Second World War, especially the mid-fifties, saw an increasingly high proportion originating from Asia, Africa and Latin America. This new form of exploitation of the developing nations which have a crying need of experts and specialists, can only slow down their economic progress. If the immigration of even a part of the professional elite of West European countries and Canada has a damaging effect on the economic growth of these countries, its impact on the scientifically underdeveloped nations is much greater because it destroys their hopes of rapidly reaching a contemporary level of economic development.

In the past few years approximately 4,000 Latin American experts with higher education have annually left their homelands for the United States. Special recruiting offices organised by the large monopolies are looking for the best brains in Latin American universities and research centres in order to send to the United States the comparatively small number of experts which the continent has produced.

In 1964, there were 3,770 Latin American doctors working in the United States not counting junior hospital staff. In 1967, US authorities is-

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[1] *The Brain Drain into the United States of Scientists, Engineers and Physicians. Staff Study for Research and Technical Programs*, House of Representatives, July 1967.

sued twice as many visas to doctors immigrating from Latin America than in 1960. It is known, for example, that such a small state as the Dominican Republic provided the United States with 300 doctors, in fact just as many as West Germany. Hundreds of medical workers immigrated to the US from Chile which is suffering from a shortage of medical staff.

Industry, the health service, education and science in Latin America all suffer from shortage of personnel. In this situation the brain drain to the US is extremely damaging to the progressive development of these countries. This problem is attracting more and more attention in Latin America. The Argentinian press pointed out that the university training of one specialist costs the state 20,000 dollars. Today Argentina is one of the largest suppliers in the world of technical experts to the United States. For example, the well-known rocketry expert Wernher von Braun had assistance from a space engineer from Argentina in the American lunar landing project. A significant contribution has been made towards the development of heart transplant surgery by an Argentinian doctor from Cordoba. [1]

At the present time approximately eight per cent of all the graduates from higher educational establishments in Argentina leave the country and go, mainly, to the United States. [2]

There are 14,000 Argentinian experts working in the US today as well as a large number of

[1] *Semana Económica (Economic Week)*, April 27, 1966, p. 6.
[2] Morris A. Horowitz, *La emigracion de professionalles y tecnicas argentinas*, Buenos Aires, 1962, p. 5.

technicians and engineers from Brazil, Chile, Venezuela and elsewhere. In the course of one year alone, Mexico lost 900 engineers, doctors and technicians who emigrated to the United States. In view of the fact that tuition in the Mexican national university is free and is subsidised by the state, it is obvious how damaging the brain drain is to the state budget, in particular, and to state prestige, in general. [1] In the past five years alone, the US has succeeded in recruiting over 19,000 Latin Americans with higher education to work in the United States, which means, at the roughest estimate, a loss to Latin America of almost 400,000,000 dollars. And this leaves out of account the potential benefits which these specialists could have brought their own countries.

In the USA the cost of training one scientist is estimated at forty thousand dollars. The US makes tremendous gains, financially, out of the immigration of scientific and technological experts. It enables the country to save vast sums on training experts, as importing experts is much cheaper than training them in the US.

On the other hand, the mass emigration of engineers, scientists and experts, mostly men in the prime of life, destroys the basis for the training of national scientific and technical experts. There is a real danger that the North American research machine may stifle Latin American scientific and technological programmes and prevent Latin America from using the achievements of the booming revolution in science and technology.

[1] *Novedades*, October 13, 1966.

INTER-IMPERIALIST CONTRADICTIONS AND COLLECTIVE NEOCOLONIALISM

The history of Latin America is the history of a grim inter-imperialist struggle for spheres of influence in this part of the world, for the sources of raw materials and profitable markets. Analysing the struggle between the great powers for economic and political domination in the imperialist era V. Lenin wrote: "We have before us all the world's greatest capitalist powers—Britain, France, America, and Germany—who for decades have doggedly pursued a policy of incessant economic rivalry aimed at achieving world supremacy, subjugating the small nations, and making threefold and tenfold profits on banking capital, which has caught the whole world in the net of its influence." [1] These words of Lenin are wholly applicable to Latin America.

The United States has long been striving for supremacy in the Western Hemisphere. In the 19th century, this desire was expressed and formalised in many different doctrines such as those of Monroe, Clayton, Seward, Evarts, Blaine, Clay and others. These many different policies named after presidents and state secretaries of the United States pursued a "new" foreign economic policy aimed at just one thing—to close the doors of Latin America to all West European rivals, and rule supreme in the rich Latin American continent.

This competition became especially acute on an entirely new basis within the first decade after the Second World War, when the West European powers lost their colonial possessions and were

[1] V. I. Lenin, *Coll. Works*, Vol. 24, p. 402.

economically exhausted. André Siegfried, a French publicist and member of the French Academy wrote in *La Revue de Paris* of September 1957: "They (the USA) are prepared, should an opportunity present itself, without any sign of sentimentality, to take our place wherever they can oust us. When I say 'us,' I also imply in equal measure the British, Dutch, Portuguese, Belgians, etc."

The process of disintegration of the colonial empires and the appearance of new states also concerns Latin America. In 1962, two countries of the Western Hemisphere obtained political independence: Jamaica and Trinidad and Tobago; in 1966 they were followed by Guyana and Barbados which were former British colonies in the West India and in South America. Today, US monopolies spare no effort to fill the vacuum which resulted from the ejection of Britain from her colonial possessions. To attain this end, a wide variety of means is used, including ideological and economic offensives.

The United States is using very skilfully the slogan of anti-colonialism in an attempt to use the struggle of colonial peoples for freedom in her narrow mercenary interests to replace the weakened colonial powers. It was the US which invented or adopted all sorts of doctrines of "open doors," "equal opportunities," "freedom of trade," etc... The well-known American historian and sociologist H. Kohn, points out that "the United States itself used the issue of anti-colonialism in its rivalry with, or dislike of, Great Britain for many decades." [1]

[1] Hans Kohn, *The Idea of Colonialism*, New York, 1958, p. 9.

For the United States the process of decolonisation implies new spheres for the investment of capital and foreign trade expansion. It is implied in all the statements of North American businessmen, and even officials, that the US is improving on the old-fashioned West European nations in using new opportunities for the exploitation of these areas and the subjugation of the latter to the "ideas of the West." The bloodless economic remaking of the world has taken over from territorial aggrandizement. It is enough to cast a cursory glance at the geographical distribution of the foreign trade of the recent British colonies in Latin America in order to see that it is indeed so.

In the case of Jamaica, the world's biggest producer and exporter of bauxite, Great Britain in 1960 was responsible for 31 per cent of exports and 34 per cent of imports, while the corresponding figures for the US were 24 and 26 per cent. In 1964, Britain's share had dwindled to 25 and 29 per cent while that of the US had risen to 31 and 36 per cent. [1]

Today the USA is the chief foreign trade partner of Jamaica. A similar situation exists in Trinidad and Tobago, and also in Barbados.

Inter-imperialist contradictions are aggravated by the industrialisation going on in Latin America and the shifting of the main emphasis of US monopolies from mining to the more profitable manufacturing industry. These shifts are of course profitable to West European and Japanese monopolies, for access to the rich raw materials of Latin America had been denied them because of

[1] *Information Géographique*, 1967, No. 2, p. 71.

the long-standing domination achieved by American capital. The manufacturing industry is quite a different matter. Enterprises in the field of manufacturing industry can appear irrespective of the existence of raw materials since the lacking raw materials can be imported. Unlike mining, manufacturing industry easily attracts foreign capital which participates in the process of industrialisation, too. Further, a number of countries encourage the flow of foreign capital into manufacturing industry and introduce especially advantageous tariffs to favour it. Such privileges as exist in this branch of industry provide additional profits for foreign companies. After gaining access to Latin American industry, West European and Japanese monopolies have intensified of late their economic expansion in Latin America and are now competing with US monopolies. They are also trying to expand into the huge Latin American market from within, and extract increased dividends from industrialisation.

The further penetration into Latin America of monopolies other than American is facilitated by the fact that they are penetrating new spheres of industry. While the old monopoly groups were restricted to the use of specific raw materials (hence the bulk of US capital investments concentrated in Venezuela, Brazil, Mexico and Chile which have the richest mineral wealth), the sphere of activity of new rivals is wide indeed. West European capital often finds itself active in industries where the US is especially weak. The investments from Western Europe and Japan are spread more evenly throughout the countries of Latin America, filling the gaps left by US monopolies.

The imperialist struggle in conditions of industrialisation leads to the steady denationalisation of Latin American industry. Investment is channelled into industries of interest to foreign investors rather than to Latin America.

Together with the increased contradictions between imperialist states, new phenomena have started to appear in their inter-relationships in the new spheres of economic activity.

At the beginning of this century, and especially between the two world wars, the threat to US domination in Latin America stemmed primarily from her West European rivals. Today the situation has changed. The liberation movement has reached unprecedented proportions in the Western Hemisphere. The first socialist state emerged and challenged not only the domination of US monopolies but the entire system of capitalism in Latin America. US colonialism is now threatened by the national liberation struggle which is so widespread today that even the most powerful imperialist state cannot cope with it single-handed. The US cannot maintain the exploitation of the continent, or preserve the foundation of the capitalist system of economy. This leads to the appearance of the so-called collective neocolonialism. [1]

In connection with the global aim of keeping the developing nations within the systems of capitalism and imperialism, the imperialist states, despite acute contradictions and rivalry between

[1] Attempts to establish collective colonialism were made in the last century, e. g., the Clayton-Bulwer Treaty of 1850 on inter-oceanic connection through Central America, concluded between the US and Britain. However, such attempts were futile at the time.

them, still achieve some unity, although a tenuous and unstable one. This system of collective neocolonialism is seen not only in the creation of international finance and credit organisations, such as the *International Monetary Fund* or the International Bank for Reconstruction and Development, but also in the united actions of monopolies of different countries in jointly exporting private capital or jointly granting "aid" to nations, industries or companies over which overt or covert control is desirable. Thus, French, Belgian and German capital combined to build an iron and steel plant with a capacity of 600,000 tons of steel annually in Peru in the mid-sixties.

In Bolivia, the extraction of tin is nationalised. In order to tap this very important branch of the country's economy, US and West German capital joined forces and, using the *Inter-American Development Bank (IDB)* as cover, financed the state-owned mining company of *COMIBOL*. It should be pointed out that the *Inter-American Development Bank* is under the strong influence of US monopolies. The *COMIBOL* company was given (1965) a credit of 37,700 million dollars, and also technical aid. These collective efforts, which actually camouflage the true intentions of imperialist powers, for some time stopped the crisis in the mining industry aggravated by foreign monopolies themselves and allowed them to penetrate into a vital sphere of the national economy in order to start its denationalisation.

In Argentina, in the field of metallurgy, which is the main basis of the country's industry, a state-owned iron-and-steel combine, *SOMICA*, was built in 1960. It was the time when the state sector of the country's economy began to expand.

Unable to counteract this process, foreign capital began to pool efforts, and granted financial and technical aid to the private sector. In 1967, one of the largest metallurgical companies of Argentina *ACINDAR* succeeded in expanding its production with finance from three foreign banks, the British *Baring Brothers and Co., Ltd.*, the French *Banque du Paris et des Pays Bas*, the Belgian *Societe Generale de Banque (Belgique)*. Of course, in granting finance and aid, foreign monopolies also satisfied their own interests, for the size of the credits granted equalled the orders placed in the respective countries; at the same time it helped them sell their equipment on the Argentinian market. [1]

The attention of "collective capitalists" is now riveted to the infrastructure, facilitating the activities of foreign monopolies. One of the largest hydropower projects in Latin America, the Furnass Dam in Brazil, has been built by a British and West German consortium; in Peru, in the mid 1960's, one West German and two British firms began to build a hydroelectric station in Montaro, to supply electricity to Lima and to the country's biggest seaport, Callao.

Foreign monopolies often use the services of local capitalists to promote projects started by the neocolonialists to camouflage even better their expansionist aims. For example, in the early 1960's, a European consortium comprised of the French *Companie des Ateliers et Forges de la Loire*, the Belgian firm *Sibetra* and the West German *Concern of Krupp*, came to terms with the

[1] *Revista Latinoamericana de Siderurgia*, October 1967.

Brazilian company *Guanabara ferros metais*, for the exploration of iron ore deposits in the state of Guanabara. [1] In 1968, a consortium of European banks, the Belgian *Credit Banque*, the French *Credit Commercial* and the West German *Kreditbank* reached agreement with the Mexican *Banco de Comercio, S. A.*, for joint financing of the state-owned oil company, *PEMEX*. The funds granted under this project amounted to 60 million West German marks. [2]

Local organisations are set up by industrial powers to carry out "technical neocolonialism." An example is the international organisation called *Licensing Executives' Society*, set up in 1965 and representing 540 of the biggest license-selling firms of the world.

The US often takes the initiative in creating such companies, for the US understands that single-handed it will not be able to cope with the storm gathering in Latin America today. A series of projects has been elaborated in the US (the Rockefeller Foundation Report, the Draper Committee Report, the Dillon Plan, the US Senate Foreign Affairs Committee, etc.) demanding that joint efforts be made to prepare and implement the "general long-term strategy" with regard to the developing countries.

The late president Kennedy's brain-trusters, such as Chester Bowles, Adlai Stevenson, and Averell Harriman used to write a great deal on the pooling of efforts. The Alliance for Progress included investments of West European and

[1] Mining Journal, January 12, 1962.
[2] *Comercio Exterior*, June 1968, p. 505.

Japanese capital. Not only industrial and trade companies pooled their efforts but also investment companies, which provide for collective control over individual enterprises as well as whole industries.

An example of a collective investment monopoly is the *ADELA* company set up in 1964. This multinational monopoly comprises 140 of the largest banking and industrial companies of the USA, Canada, Western Europe and Japan. The chief aim of this monopoly is to avert the "threat" to the "free world." To attain this end, it is necessary to strengthen the private sector in industry, mainly by setting up joint companies together with local businessmen, and to weaken the influence of the state sector. A very blunt statement to this effect was made when this monopoly was being set up. (The chief reason for creating this organisation is the necessity of strengthening the private sector in Latin America). The strengthening of private enterprise, as the company's sponsors saw it, must form a counter-weight to the state sector because, due to the lack of private capital, a vacuum appears which is usually filled by the state sector. By means of setting up joint enterprises, it is believed possible to bend the Latin American bourgeoisie to the influence of imperialist monopolies.

In 1966, the *ADELA* participated in fifty projects worth 300,000,000 dollars. The company paid its main attention not to industry but to agriculture and forestry and the production of fertilisers. As the leaders of this development group pointed out the company will become the prototype of such companies which must be set up in

other developing nations because it does not associate itself with one particular nation which exports capital. [1]

ALLIANCE FOR PROGRESS—ILLUSION OR DISILLUSION

As we have tried to show in the above chapters, some of the methods of neocolonialism were used and tested in the United States in the late 19th century. However, they acquired primary significance in the period of the general crisis of imperialism when not so much the expansion, as the preservation of imperialist spheres of influence was at stake.

A landmark in the postwar history of North American colonialism and its actions in Latin America was the elaboration of a ten-year project (for the years 1961-70) given the resounding title of Alliance for Progress. The Punta del Este Charter is the basis of this project. Punta del Este is a picturesque resort town in Uruguay which has lately become a meeting-place for high-ranking officials of the Western Hemisphere. The Charter Punta del Este approved a wholly new and comprehensive programme of "aid" from the US to Latin America, envisaging a number of economic and social transformations. However, the changing socio-political strategy of Washington in Latin America is nothing new. There have been precedents. It appeared for the first time in market fashion in the thirties.

[1] *Brazilian Business*, December 1966, p. 19.

The world economic crisis of 1929-33 hit the US, Canada and Latin America very badly. The share of the United States in all industrial production sank sharply (almost by one-third) and its relative share in world trade dwindled. The edifice of the Pan American system began to totter. Britain, which exploited the weakening of her old rival, launched a counter-offensive in Latin America. The Roosevelt Administration, which came to power in 1933, realised that the deep socio-economic and political changes which had occurred in the world at the time undermined not only imperialism but also world capitalism. In the conditions of that period, it was no longer possible to pursue in Latin America the rigid policy of Taft, Harding, Wilson, Coolidge and Hoover. The pursuance of old policies would jeopardise US positions in this area. Speaking at the Sixth Pan American Conference, Roosevelt stated bitterly that never before in our history did they have fewer friends in the Western Hemisphere than they had at the time. [1]

With storms clearly ahead, far-sighted political leaders believed it more promising to pursue a policy of bourgeois reformism, rather than the ultra-imperialist, hard-line policy. For the latter can endanger everything, whereas the former provides some hope at least of gaining in this area social support for a new policy and recruit new allies from among the new social strata of the population. The New Deal proclaimed by Roosevelt proved closely related to the Good Neighbour Policy for Latin America. Some extreme measures of domination were eliminated and economic agreements began to be concluded on more favourable terms. William Foster in his assessment of the Roosevelt New Deal wrote that "the Good Neighbour Policy was simply a reformulation of the old imperialism in order for it to counter more effectively the growing nationalism and democratic spirit of the Latin American peoples, as well as to offset the increased imperialist competition." [1] As a result of the changing strategy of the ruling classes, the economic position of the United States in Latin America began to improve, investments showed a tendency to increase, foreign trade expanded.

Naturally, these were temporary political measures and the moment the threat to US monopolies began to diminish they began to deviate further and further from the Roosevelt New Deal policy.

History repeated itself in many ways in the early 1960's. True, this time the reason for the new policy was not an economic crisis but the triumph of the Cuban revolution. The victory of the revolution in Cuba compelled the United States to reassess its attitude toward southern neighbours. The peak of the revolutionary struggle jeopardised not only the domination of monopolies on the continent of Latin America but the system of capitalism itself. The monopoly capital of the United States which felt the heat of the revolution was forced to reconsider its strategy and tactics. In order to avoid a "revolution from below," a "peaceful and well-controlled revolution" from above was proposed.

[1] *Public Papers and Addresses of Franklin Delano Roosevelt*, New York, 1938, p. 110.

[1] William Z. Foster, *Outline of Political History of the Americas*, New York, 1951, p. 431.

It was to implement the idea of a "peaceful and controlled revolution" from above that in August 1961, a programme of aid was adopted under the name of Alliance for Progress. It became a new link in the history of neocolonialism of the United States in Latin America and a programme of bourgeois reformism without infringing on the interests of US monopolies and the landed elite of Latin America.

Alliance for Progress was widely advertised in Washington as the most effective means of overcoming economic stagnation in Latin America. Much has been said and written about technical, social and cultural progress. However, when the spell cast by loud words disappeared, it turned out that Latin America can gain very little from the New Deal proposed by the United States.

It turned out that of the 20,000 million dollars promised under the project in the course of one decade, almost half is comprised of the export of private US capital and that of the private and state capital of Western Europe and Japan, in addition to loans granted by international banks. However, it is exactly this kind of financing that Latin America needs least of all, because these sources of money could be found without the widely advertised Alliance for Progress programme. Private capital has compromised itself in Latin America, and international credit organisations not only demand exorbitantly high interest but also convertible currency which Latin American countries so badly need.

With regard to the scope of the programme, it can be said that the illusions were dispelled very quickly. Firstly, this aid includes all sorts of investments which are already available. Secondly, the aid is approximately equivalent to the amount which the US annually extracts from Latin America in dividends and profits of various kinds.

By means of the new programme of "aid," the US hopes to veil its policy and provide for the quickest possible political results. That is why the US is most unwilling to grant long-term credits whose economic return can be expected only in the distant future. Without concerning itself with the economic potential of Latin America, the US prefers to give short-term and mid-term loans which provide a double profit: the quick reimbursement of the loan and the rapid economic and political response. It is not accidental that the chief problem of Latin America today is the dangerously rapid growth of short-term debts. But this can only play into the hands of the United States which, exploiting the difficult financial situation in Latin America, can conclude agreements on its own terms.

The Alliance for Progress mentions for the first time the necessity of carrying out "democratic" transformations, implementing agrarian, tax and administrative reforms, and developing public health services, education, etc. However, the people who initiated the Alliance for Progress in the US concerned themselves little with democracy but much with checking the spread of the revolution which threatened to put an end to the domination of foreign monopolies in Latin America and establish a true democracy in this world area. It was expected that small evolutionary reforms would remove the crying injustices of the socio-economic struggle, and that the maximal propaganda effect would be achieved. It is not acci-

dental that present forms of aid stress house building and the construction of hospitals and schools. This is a kind of analgesic, administered in serious illness to relieve pain, instead of the necessary surgery.

The past decade has convincingly shown the countries of Latin America that the United States is pursuing its own mercenary aims. The apparent increase of aid is supplemented by various economic and political demands which cost the Latin American countries dearly. Despite resounding promises, the US has failed to lead Latin America out of its economic cul de sac. The rate of growth of the gross national product is still very low and per capita income increases very slowly.

At the recent inter-American economic conferences, the United States turned down proposals from the Latin American countries for elimination of the unequal position of Latin America in world capitalist trade, for abolition of political conditions attached to loans, and for turning the Alliance for Progress into an instrument of truly effective assistance. These "novelties" are disliked by the US, for the demands of the countries of Latin America run counter to the strategy of Alliance for Progress, which aims in the long run at preserving the existing socio-economic and political order.

Instead, representatives of Washington are trying once more to force on Latin America the decision on creating the so-called Inter-American Armed Forces. And again the notorious question is raised of guarantees for foreign capital investments, this time on a multilateral basis. As regards aid, the US delegations at all these conferences invariably pointed out that its scale and scope, as well as the procedure for granting it, would at best remain the same. The war in Vietnam was always used as the main argument.

Today, the Alliance for Progress hardly satisfies anybody and is now operating through sheer inertia. To give up the project would mean actual acknowledgement of its failure. To save face, the leaders of the Alliance for Progress are forced each time to perform very delicate and thorough "plastic surgery." However, the organisation comes under fire from all quarters. Not only the leftists but also the Latin American bourgeoisie are dissatisfied with it, and the bourgeoisie of Latin America can hardly be suspected of anti-imperialist sentiments. Criticism from the left boils down to accusations that Washington is using the Alliance for Progress and the financial operations associated with it actually to prevent urgent socio-economic transformations and the raising of Latin American living standards. Critics from the right express dissatisfaction with the project, and say that US phraseology gives rise to most dangerous illusions of radical change and of abrupt improvement in living conditions. Irrespective of the subjective views and intentions of the Latin American bourgeoisie, its criticism objectively undermines the foundations of the Alliance for Progress and gives rise to new forms of contradictions between Latin American and North American imperialism.

It is noteworthy that even the ideologists of the Alliance for Progress in the United States are becoming reluctant to use the terms "nationalisation," "agrarian reform," "the state sector," "progressive taxation," etc. Having discarded its

camouflage, the US is openly using aid to swing Latin American countries to the right. US monopoly capital considers this method as a dividend on its invested dollars.

Today the Alliance for Progress is like an engine in need of a thorough overhaul. And it has become clear that many of its parts were not in working order from the beginning.

The main premises contained in the project of the Alliance for Progress have not been implemented and, besides, the United States has never pressed for their implementation. It needed the Alliance for Progress for quelling the revolutionary wave and it must be admitted that it has succeeded at least in this respect. It is quite understandable that now, when there is no immediate danger, an interest in this programme has diminished. The US press admits that in Latin America "politicians do not run against the Alliance, but they almost never campaign for it, either." [1]

LATIN AMERICA IN US MILITARY PLANS

American propaganda attempts to present US imperialism as a peaceful neighbour of Latin America.

However, anybody who is familiar with the past history of the Western Hemisphere knows quite well that the USA has time and again in the course of its history seized the lands of other nations. A hundred years after the War of Independence at the end of the eighteenth century, the

[1] *US News and World Report*, August 29, 1966.

US territory had increased tenfold. The range of US aggressive actions is very wide: from the ejection and elimination of the Indians to the annexation of Texas and Florida from Mexico. The nature of the "civilising activities" of American colonisers is clearly seen from the fact that during the one hundred years of US domination of Hawaii, the local population has dwindled, according to the French researcher, R. Sedillot from 142,000 to 20,000. [1]

The classical forms of colonialism can be found in the history of the Philippines. Further, it was the Spanish-American war of 1898 for the possession of the jewel of the Caribbean—Cuba, that marked the beginning of the epoch of imperialism. From the start of this first imperialist war, up to the first world economic crisis of 1929-33, the United States had carried out over 20 open acts of military aggression against Latin American countries.

It is thus clear that economic penetration is the main, but not the only, means used by neocolonialism. Of no small importance is military and political interference by the methods described above, examples of which can be easily found in Latin American history books. This, and all sorts of plots and coup d'etats as well as the establishment of puppet regimes and political assassinations—such is the far from complete list of methods used by US neocolonialism in its drive toward new lands and nations.

Political interventions, plans for which are worked out in the US State Department and the American Central Intelligence Agency, aim at

[1] R. Sedillot, *Histoire de Colonisations*, Paris, 1958, p. 571.

weakening and splitting the countries of Latin America, subverting the democratic movement, isolating them from the countries of socialism and compelling them to comply with US policy.

The history of armed intervention in the countries of Central America, such as the seizure of the Panama Canal, exposes the attempts to idealise US imperialist foreign policy. The record of these military interventions vividly demonstrates that the US capitalists, in V. I. Lenin's words, "have turned an exceptionally tragic page in the bloody history of bloody imperialism... *proved* in practice to be a form of the most rabid imperialism, of the most shameless oppression and suppression of weak and small nations." [1]

Sophistication and philistinism are the organic characteristics of American foreign policy. It is impossible to find in the American vocabulary the word "colony," whenever the seizure by the US of foreign territories is described. Instead, such platonic expressions are used as a "new state," "the nations that freely joined," etc.

After the Second World War, when the liberation movement gathered momentum in Latin America, US foreign policy in this area began to be based not only on overt aggression, but also on a system of treaties of a military or semi-military nature. At the same time, military aid granted by the US to those Latin American regimes in which US monopoly capital was especially interested, became one of the features of inter-American military and political relationships.

The Inter-American Treaty of Reciprocal Assistance, signed in August, 1947, in Rio de Janeiro, played an important role in postwar US military plans in Latin America. Within the system of inter-American relations, this treaty, which is known as the Rio de Janeiro Pact, occupies a very special place. Firstly, it summed up the results of many years of efforts of US imperialist circles to create in Latin America an inter-American aggressive military and political grouping. Secondly, it served as a prototype of other aggressive military and political alliances, primarily the North Atlantic Treaty Organisation.

The organisers and the spiritual leaders of the Rio de Janeiro Pact were not daunted by the fact that not long before they had affixed their signatures to another document, the Charter of the United Nations Organisation, the principles and tasks of which are at crying variance with the spirit and letter of the Rio de Janeiro Pact. Strategically speaking, this pact was aimed at isolating Latin American countries internationally and subjugating them to the expansionist and aggressive foreign policy of the United States. It was concluded at a moment when US reactionary circles, under the pretext of fighting communist danger, began to step up the Cold War.

The main clauses of the Rio de Janeiro Pact were also incorporated in the Charter of the Organisation of American States which was set up a year later. This organisation, which was required by the United States to help implement its aggressive plans in the Western Hemisphere, became an instrument of the domineering and aggressive policy of the ruling circles of the United States in Latin America.

In the conditions of Cold War as waged by North American imperialism against the coun-

[1] V. I. Lenin, *Coll. Works*, Vol. 28, pp. 62, 189.

tries of socialism, and in the attempts to establish reactionary regimes in Latin American countries, the Rio de Janeiro Pact was called upon to serve as an instrument for suppressing the national liberation movement on the continent. At the inter-American conference of 1954 in Caracas, Washington succeeded in foisting on Latin American countries, the so-called anti-communist resolution, in accordance with which all actions by Latin American peoples in defence of their national, economic, social and political rights were declared "subversive" and "threatening the peace of America." Under cover of the Rio de Janeiro Pact, it was possible to justify any reprisal by the joint forces of North American imperialism and the local oligarchies against Latin American fighters for their inalienable rights.

The great number of military coup d'etats in Latin America in the postwar period reflects, to a certain degree, the desperation of the armed forces, and their fear that in a society replacing "traditional" society they would be deprived of their privileges. The contemporary socio-political life in Latin America is, among other things, characterised by a fierce struggle between the military, who are no longer as powerful as they used to be, and those new social forces which want to remake the socio-economic structure of the entire continent.

The size and power of the military caste in Latin America are determined by US military decisions. It is common knowledge that the existence of the armed forces in Latin American countries is to a large extent guaranteed by the United States and its military power.

At the present time, in the majority of Latin

American countries, a quarter of the national budget is allocated to military purposes. In Argentina, Venezuela, Paraguay, Brazil, Bolivia and in a number of other countries of Latin America, the military budget is as high as one half of all state appropriations. Besides, in the countries of Southern and Central America, there are security forces and para-military units, designed to maintain law and order at home. They are the so-called private armies under the command of local leaders in the provinces and states. The expenditures connected with their upkeep are not a charge on the national budgets.

Latin American militarism receives well planned foreign financial assistance on a large scale. Foreign military assistance to Latin America comprises at least one-fourth of the entire aid granted by the US Government to its southern neighbours. As a result, although the direct military expenditures in a country's budget may seem small to the Latin Americans, the actual amount of military spending is very high indeed. The annual spending of Latin American countries on armaments comprises approximately 1,500 million dollars. One should recall that the aid granted by the US under the Alliance for Progress amounts to 1,100 million dollars per year. According to the American press, the US Defence Department, as part of its military programme for Latin America, "trains 3,500 Latin American officers and men annually and last year granted or sold Latin American countries $60-million worth of arms." [1] The US representative at the Organisation of American States, Sol Linowitz, replying to

[1] *The New York Times*, October 20, 1968.

the criticism of Senator Wayne Morse to the effect that US military aid to Latin America torpedoes the Alliance for Progress, said that the US cannot dictate her will to independent nations. If a sovereign nation, he said, believes that it needs armaments, we at least must respect its opinion.[1]

Using the Inter-American Defence Board (IADB), the Central American Defence Council, the Rio de Janeiro Pact, the Treaty on the Unification of Armaments, the Treaty on the Coordination of Actions of Political Police Under the Guidance of the FBI, the joint military and naval manoeuvres, the setting up of basis for launching rockets and tracking artificial earth satellites, the activities of the Peace Corps and so on, the Pentagon and the US Government are doing their utmost to establish direct control over the armed forces of the countries of Latin America.

Although the US has somewhat modified its military doctrines, it resorts even today to direct military intervention. The United States makes it quite clear that it is ready at any moment to resort to force for the protection of economic interests. At the same time, certain changes have occurred in US military strategy in Latin America. First of all, when the liberation movement on the continent was comparatively weak, the chief US aim was to subjugate Latin American countries and foist US domination upon them. To attain this end, the US resorted to direct intervention. Today, when the US is opposed, not by a country but by the freedom forces threatening not only the United States, but the capitalist system itself, direct military intervention has been

[1] *El Mercurio*, February 7, 1968.

pushed into the background, although it has not been completely forgotten. For example, in 1965, American imperialism, intervened by armed force in the Dominican Republic, in an effort to stifle the democratic struggle in that small Latin American country. However, indirect methods of military intervention are now being used more and more often. Today, the United States wants its Latin American neighbours themselves to suppress the liberation movement on the continent, as is evident from statements made by US officials. As a result Latin American countries make bigger budgetary appropriations for armaments than any other developing area of the world.[1] The United States prefers, whenever possible, to stay behind the scenes and from there to guide the punitive expeditions. To attain this end, special strategic plans have been elaborated in the United States, to be implemented in Latin America.

1. **Military aid.** It was Richard Nixon who expressed the strategic aim of military aid: "Economic progress is vitally important to Latin America. But economic progress alone will not stop communist infiltration and take-over. Support of adequate military and security forces must continue so that free governments will have the strength to maintain stability."[1] He also wrote that a free government without strong military support would not last longer than a month in Latin America."[2]

2. **The support of military regimes,** wherever they exist, or of the military caste in countries

[1] *The New York Times*, July 15, 1967.
[2] Richard Nixon, *Six Crises*, New York, 1962, p. 230.

with "representative democracy" in order to shift on to them the burden of the struggle against "subversive activities." The Latin American military elite, which is in power or which protects power in a state, and not the United States directly, is required today to defend the "ideas of the West," i.e., to create an internal front against the people of a given country. The brazen attempts of imperialism to use the local military as an instrument of imperialist policy are needed as a Mexican journalist, Fransisco de la Vega, wrote in the magazine *Excelsior* of February 11, 1967 "to hand over to Latin American countries the dirty interventionist tasks which until recently were exclusively a privilege of the great northern power." At the present time, the military authorities in the US are making special efforts and spending colossal sums to achieve this form of intervention, in fact more than any other form of intervention. The entire work of US intelligence and of special military centres is subordinated to this task.

In the armies of Latin America there are honest people, of course, serving their country with self-sacrifice. However, as is pointed out by the Professor of New York University, John Jerassi, the majority of Latin American military elements, paid and bribed by North America, are but small pawns which the US moves in its interests on the Latin American chessboard. It is with their assistance that the US devastates the agricultural areas of Colombia by using the same helicopters as in Vietnam. It is with their help that the US drops bombs of the types used in Vietnam on the Venezuelan province of Falcon. It is with their help that the US sets fire to the

Peruvian Andes with napalm tested in Vietnam. Besides, if Latin American armies are unable to control the dissidents or rebels, the North American military are always prepared to fulfil that task, as they actually did in the Dominican Republic. [1]

It is interesting to recall in this connection the military aggression of the United States in Guatemala in 1954 which was carried out with the approval of the Organisation of American States. At the Tenth Pan-American Conference in Caracas a thesis was put forward to justify the intervention of a mercenary army on the ground that, allegedly, there was an intervention of international communism in Guatemalan affairs. The mercenaries under the command of Castillo Armas, a trainee of the military school at Fort Leavenworth (Arkansas, US), paid and armed by the United States, pulled off a coup d'etat. Castillo Armas, fulfilled his mission. He banned progressive political parties, stopped the agrarian reform of 1952, returned the land to the landowners and to the United Fruit Comany, and, besides, gave American oil companies wide concessions of oil-rich lands. For more than a decade military dictatorship ruled in Guatemala.

Today, military aid envisages not only supplies of arms but also the training of personnel in the Latin American armed forces. To prepare Latin American armies for battle, joint military and naval manoeuvres are annually carried out in the territorial waters of Brazil, Chile, Colombia, Venezuela, and other Latin American countries under the command of US officers, while the Latin

[1] *Desarrollo*, 1968, No. 7, p. 42.

American military are trained in the United States and in special schools in Panama.

As a result of joint military and naval exercises, the US obtains control over the military and naval forces of Latin American nations. US ships hardly ever leave the shores of South America. Their manoeuvres in this area never end, increasing the military tension in Latin America. Besides, the permanent presence of naval vessels and aircraft of the United States near Latin American shores makes it possible for the Pentagon to keep at gun point those areas of the continent where the interests of North American monopolies may be threatened.

An important role today is played by the integration of the military command of the US with those of Latin America. It is under the leadership of Washington that conferences and meetings of Army Navy and Air Force ministers of Latin American countries are periodically held. Recently, one of the main topics discussed at such inter-American military meetings was the new role of the army on the continent. It is this discussion of the new role of the army which conceals the old idea of military integration of the Latin American countries. True, Washington no longer insists on its plan of creating the so-called permanent inter-American peace-keeping force, because this plan meets with almost universal disapproval. Today, Washington advocates the creation in the national armies of special repressive forces which "if need be" could be united under the general command within the framework of the Organisation of American States.

Under the prevailing conditions in the developing countries in general, and in Latin America

in particular, great attention is being paid today to the formation of the so-called counter-insurgency units. The former President of the United States, Lyndon Johnson, said in 1964 of the counter-insurgency units that they now had 344 groups operating in 49 countries the aim of which was to train the local military and cope with the modern techniques of internal defence. The American press also reported that such units were sent to 15 Latin American countries.[1]

The training of counter-insurgency units is done at Fort Bragg in North Carolina. Previously, officers and sergeants of the American armed forces were undergoing training at Fort Bragg in methods of conducting subversive propaganda which would have a disintegrating and demoralising effect on the enemy. Later on, representatives from other countries began to arrive at Fort Bragg, primarily from Latin America. Today the main purpose of Fort Bragg is the training of counter-guerrilla units. North American strategists believe that the training of these counter-guerrilla units should become one of the main guarantees of US interests in Latin America.

The commandos learn the ruthless and bloody methods of suppressing popular masses. The uniform of these commandos is a big green beret and on the left sleeve of the khaki uniform a blue shield with a golden sword. The Green Berets can be met anywhere in Guatemala, Colombia, Bolivia, Ecuador and Venezuela.

Taking into consideration the great role which the army plays in the socio-political life of Latin American countries, the US ruling circles, on the

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[1] *Business Week*, April 27, 1963.

one hand, want to subordinate its actions to US strategic aims, and, on the other hand, present it as the protector of the interests of Latin American peoples. The US propagandists and politicians want everybody to believe that the military leaders of Latin American countries are quite different from the generals of the past who used the methods of ruthless dictatorship. They are pictured as "civilised officers," realising their "responsible mission." The facts of arbitrariness and violence by the military, the tyranny of the Paraguayan dictator Stroessner, the suppression of the democratic movement in Argentina, the brutal repressions in Guatemala—these are not mentioned by American propaganda. The military in Latin American countries are attacked in the press only if, as in Peru, they try to protect the national interests of the people, and oppose the foreign monopoly capital domination of a country's economy and politics.

Putting their money on the reactionary elements of Latin American armies, the US ruling circles do whatever they can to reconcile the basic socio-political forces in Latin American countries with the army and relegate to the latter some civic functions. Today, the US not only trains the Latin American military and provides arms for the struggle against the insurgents, but also helps to elaborate plans of the army's "civic action." One of the most important components of these plans is to use the personnel and equipment of the armed forces for building highways, schools and hospitals, primarily in rural areas. This is how the magazine, *Business Week*, of April 27, 1963, described these plans: " 'Civic action' is designed to turn military manpower and equipment to useful

work such as building roads and schools in rural areas. It is aimed at winning friends for the military and police forces, so that when insurrection or guerrilla action breaks out, the peasants may back up the loyal troops instead of the rebels." [1]

According to the American press, in Ecuador the considerable funds devoted to military expenditure which comprise 20 per cent of the country's budget are allocated to the programme called "Accion Civica" (Civic Action). Under this programme in 1963, fifty kilometres of roads in remote areas were built, as well as several rural schools and medical institutions. To implement the "Accion Civica" in Colombia, the US provides some 800,000 dollars a year. In Bolivia, approximately 75 per cent of military spending is channelled in varying degree into financing civic construction by the armed forces. [2]

The manuals of the Inter-American Defence Board, which is controlled by the United States, says that civic missions of the army help the armed forces to secure assistance and cooperation on the part of the civil population. These military and civic actions are recommended primarily in those areas where anti-guerrilla operations are being planned. In order politically to neutralise the local population, military authorities made a detailed study of local customs and of the needs of the population, its political views, sympathies and antipathies. The army units thoroughly study the local terrain, keep an eye on migration of the population and collect statistical data which they later process jointly with American military ex-

[1] *Business Week*, April 27, 1963.
[2] *Detroit Free Press*, February 17, 1964.

perts. In order to influence Latin America and subjugate the continent, it is necessary to know it well, as is very well understood in Washington. At early stages of neocolonialism, economic data were collected by individual North American companies and private banks which were mainly interested in the solvency of the people who received loans, while in the 1930's it was the *Export-Import Bank of the United States* which began to collect economic intelligence. After the Second World War, the gleaning of economic, social and political information began to be carried out through international banks such as the *International Bank for Reconstruction and Development*, the *International Monetary Fund*, the *Inter-American Development Bank*, etc. Now the Pentagon also indulges in this activity.

The Pentagon makes much use of scientific establishments and universities in the United States for getting the necessary information. Various centres in the United States are engaged in conducting research into the socio-economic conditions in Latin America and forecasting the social development of the continent. A kind of research industry has developed. Harvard and the universities of California, Michigan, Texas, Pennsylvania and many others (all in all 19 universities) are engaged in work aimed at revealing the tendencies of economic, political and social development of Latin America. Analytical work is being done by means of the most modern computer techniques. The large-scale application of mathematical methods, exact sciences, statistical surveys, etc., to the study of politics and sociology aims at forecasting the appearance of centres of liberation struggle on the continent. These types of research

are widely used by the Pentagon. As was pointed out by the Argentinian publicist, G. Selser, "the participation of the universities and specialised institutions in all sorts of research activities is confirmation of the US Defence Department's policy of using all possible means in its struggle, not only with the socialist camp, but also with a great number of developing countries of the Third World." [1] In the early sixties, it was the Pentagon that directed work on intelligence operations comprising large-scale military and sociological research in Chile, Bolivia, Uruguay, Venezuela, Colombia, Peru and Paraguay. The far-reaching strategic plans of the United States can be followed if one analyses the so-called project Camelot. Its organisers and initiators set themselves the task of infiltrating the religious, economic, juridical, military, political, diplomatic, scientific and charitable organisations of Chile, as well as the organs of health protection, education and communications. All this was necessary for the future elaboration of "preventive anti-guerrilla measures." Thus, an alliance was formed between militarism and espionage, on the one hand, and science, on the other.

The scandalous exposure of the espionage projects such as the Camelot, Colony, Job 430, and Simpatico in Chile, Peru, Argentina and Colombia did not stop the activities of the Pentagon in exploiting science to attain its aggressive and militaristic ends. The Pentagon stepped up the active use of universities both in the United States and in Latin America, although this time it was not done as overtly as before.

[1] G. Selser, *Espionaje en América Latina*, Buenos Aires, 1966, p. 55.

The chief aim of the espionage research activities of the Pentagon is to determine the "model of uprising" in Latin America. All sorts of auxiliary operations are necessary for this research, including the study of such problems as the security forces of Latin American countries, the military potential of the insurgents, the forces opposing existing regimes, etc. The material thus accumulated is necessary for elaborating measures to check the growing national-liberation movement.

US IMPERIALISM AND ITS SOCIAL SUPPORT IN LATIN AMERICA

The Chairman of the US Congressional Committee on Foreign Economic Policy and Eisenhower's special adviser, Clarence B. Randall, wrote: "No one hopes more fervently than I that we may send out the idea of private capitalism as our principal export to the underdeveloped countries, but we must recognise that it is a delicate plant which will not grow in every foreign land in this storm-driven world unless the soil has first been carefully prepared."[1] One of the most important conditions for stabilising the positions of foreign private capital on Latin American soil is the creation of local social support.

While foreign capital formerly developed, preserved and maintained all sorts of semi-official relationships, viewing them as an inevitable evil connected with the export of capital,

[1] C. B. Randall, *The Communist Challenge to American Business*, Boston, 1959, p. 132.

today the situation has drastically changed. In conditions of the deepening social struggle, the implantation and protection of capitalism, are the main strategic and political aims of the United States in Latin America.

In the past, the chief social allies of the United States in Latin America were the landed oligarchy and the mercantile and financial classes which associated their political destiny with foreign imperialism. These internal social forces, which seized economic power and controlled the state, were the Trojan Horse which opened the gates of Latin America for foreign capital. US monopolies and companies naturally shared some of their profits with these traditional ruling classes.

Later as a result of changes in the socio-economic structure of the more important countries of Latin America (the development from an agrarian to an agrarian-industrial economy) the support of these classes clearly proved insufficient.

The landed elite, the merchants and the financiers, although, as before, concentrating vast economic power in their hands, no longer played a decisive role in the political activities of their countries. Strategically, therefore it was wrong to bank too heavily on them. Now, what was needed was a wider and, in particular, contemporary social support. And such a support could be provided by the industrial bourgeoisie.

In the report to the Tenth Congress of the Communist Party of Colombia, its General Secretary, Gilberto Vieira, in exposing the peculiarities of neocolonialism, stressed that its basic feature is the alliance of imperialism with some sectors of the national bourgeoisie, and not with

the semi-feudal sectors as had been the case before. This alliance helps implement the export of capital because North American investors, either directly or through joint enterprises, have penetrated key positions of industry. By means of these investments and credits, North American imperialism subjects the Colombian bourgeoisie to its influence and exerts pressure on it. [1]

Taking into consideration the ever growing dissatisfaction with US interference in Latin American economy, US monopolies seldom resort to setting up branches and subsidiaries wholly owned by themselves. Purely American companies remain only in traditional branches of the economy. Things are quite different in the new branches of economy such as metallurgy, machine-building and the chemical industry. In these fields, joint enterprises predominate, which in the new situation secure a number of advantages for US monopolies. Concealed behind national façades, US monopolies neutralise opposition to their infiltration and enjoy all those privileges, subsidies and advantages which national companies receive in encouragement of industrialisation. Besides, having financial connections and technical experience, these companies are able to control huge sums of Latin American money, with relatively modest capital resources of their own.

In attempts to preserve their roots in the old mining industries, or to stabilise positions in those spheres of the economy where the presence

[1] G. Vieira, *Por el frento patriótico de liberacion nacional. Informe Político al X Congreso del Partido Comunista de Colombia*, Bogotá, 1966, pp. 13, 97.

of foreign capital is considered undesirable, US monopolies try to camouflage themselves as local concerns. For example, Latin Americans sit on many mining company boards. Their presence produces an impression that this or that company is directed by local interests.

It was Lenin who wrote, in his article, "The Growth of Capitalist Wealth," "Big capital, gathering around itself small sums of shareholders' capital from all over the world, has become more powerful still. Through the joint-stock company, the millionaire now has at his disposal not only his own million, but additional capital of, say, 800,000 rubles, that may have been gathered from 8,000 petty proprietors." [1]

In Latin America, US monopolies operating in industry, trade and banking, accumulate a multitude of scattered Latin American capital holdings which, taken together, greatly exceed their original share capital.

It is well known that only large companies and banks can export capital. As a result of a survey of the role of small enterprises in the export of capital and of foreign trade by the US Congress, it was found that "the majority of small proprietors in the United States have in fact very little idea, if any, about foreign trade or other aspects of foreign economic activities." [2] In the foreign economic expansion only giant companies can take part. It was found out in 1957, by means of a special census in the United States, that the number of such corporations

[1] V. I. Lenin, *Coll. Works*, Vol. 19, p. 203.

[2] *Small Business Exports and the World Market. Hearings before the Select Committee on Small Business*, Washington, 1961, p. 1440.

comprised only 0.66 per cent of all the businesses registered in the country. It is exactly these companies which operate in Latin America and which possess a "capital surplus." Having switched to the system of joint enterprises, they have the opportunity of controlling national funds greater than their own, or than they intend to export; and—which is very important—they are camouflaging their control.

In the middle of the sixties, for the first time in the history of Peru, the president of one of the country's largest mining companies *Cerro de Pasco,* was a Peruvian. He simultaneously headed a number of large Peruvian financial and mining companies. In this way, the United States is striving to expand its social support in Latin American industry.

Quite often, to support its offensive against Latin American industry, the US resorts to the help of local industrialists. In 1965, the large North American monopoly, *Hanna Mining Corporation,* tried to establish control over the rich deposits of iron ore in Brazil. However, it encountered strong opposition from wide sections of the public and the country's political circles. The corporation would easily have suffered a fiasco, had it not used the well-known local industrialist, Augusto Antoñes, the owner of *Mineracaões Brasilieiros Reunidos.* By giving him 51 per cent of the shares of the new joint company, North American businessmen neutralised the nationalistic attacks of local business and the general public. It should also be pointed out that this company had previously established connections with the great US steel monopoly, *Bethlehem Steel,* one of the biggest consumers of iron ore.

Such partnership proved very profitable to North American capital. Both these corporations, *Hanna Mining* and *Bethlehem Steel,* posses a huge production and financial potential and are not worrying about giving 51 per cent of the shares to the Brazilians. These giants produce iron ore, sell it and use the final product. They also supply industrial enterprises with the necessary equipment. In view of the technical, economic and financial superiority of these super-powerful partners, which enjoy strong support from US government organisations, it is not difficult to see who will actually control the new "joint company."

These joint companies offer favourable prospects in the event of North American companies being threatened by nationalisation. Mexico is the leader in sulphur production. Patriotic sentiment in that country has long been pressing for the nationalisation of sulphur deposits now controlled by the North American monopolies: *Pan American Sulphur, Gulf Sulphur, Cities Service Company, National Bulk Carriers* and others. In order to preserve control over this valuable raw material, foreign monopolies began to set up joint companies with the participation of local capital or sell some of their stock on the local money market.

Soon after the war, the US began to establish joint enterprises. In 1950-57, eleven per cent of all foreign capital investments in Mexico were channelled into joint enterprises, while 94 per cent of these money went to enterprises which could be subjected to control.[1] In Brazil in 1958

[1] G. Kalmanoff and B. Retchkiman, *Joint International Business Ventures in Mexico,* New York, 1959, p. 29.

there were 498 joint enterprises which were responsible for 20 per cent of all direct capital investments in the country.[1] It should be pointed out that the USA provided the bulk of capital investment. According to ECLA estimates, in 1957 throughout Latin America there was the following distribution of capital investments made by US companies: 85 per cent of capital investments concentrated in US owned enterprises in which the US had 95 per cent of interest, 12 per cent were invested in those enterprises in which US businessmen owned from 50 to 95 per cent of shares and only 2 per cent of all capital investments were made in enterprises in which the US had less than 50 per cent of the stock.[2]

The process of creating joint enterprises accelerated in the late fifties and in the early sixties, especially after the adoption of the Alliance for Progress programme. This evolution is explained primarily by the fact that North American colonisers are compelled to reckon with the increasing movement for national freedom and with demands put forward by the Latin American bourgeoisie which has become stronger and wants to direct its national economy independently. By creating joint industrial, trade and banking enterprises, the contemporary colonisers try to camouflage their economic and financial infiltration and domination.

Economic and political contacts with the industrial and the new mercantile bourgeoisie are

[1] José Carrido Torres and Denio Nogueira, *Joint International Business Ventures in Brazil*, New York, 1959, p. 10.
[2] *The Process of Industrial Development in Latin America*, New York, 1966, p. 219.

established in joint enterprises, while the banking and the old trade bourgeoisie emerge as the particular supporters of the interests of foreign capital. One should mention primarily the Latin American bourgeoisie what possesses certain capital resources and, what is especially important, has contacts with the local suppliers of raw materials, the buyers of industrial products, with financial institutions and enjoys not only the support of the consumer but also that of the state.

In the early stages of this process, the United States tried to get control by acquiring the traditional 51 per cent of the stock. Later, it proved unnecessary to acquire as mush as 51 per cent to control enterprises. According to the large American business magazine, *Fortune*, 10 per cent of the shares is enough for effective control in existing circumstances, when large companies are playing the main role.[1] But to establish effective control over some large companies it is necessary to have even less than 10 per cent — 3 to 4 per cent is quite sufficient.

The setting up of joint enterprises secures for the North American capital not only economic but also political advantage. An alliance with the Latin American bourgeoisie gives US capital access to organisations which make recommendations to the government in the field of tax and monetary policy. This enables the US to act as an invisible conductor of the Latin American economic orchestra.

The wide spread of economic, financial and trade contacts between US corporations and big

[1] *Fortune*, 1967, No. 7, p. 180.

business in Latin America is reflected in the fact that, despite the existence of old and the appearance of new contradictions between them, they quite frequently act as one on many socio-economic problems. They pursue a similar policy in order to weaken control by the state and the anti-monopolistic orientation of the state sector of economy, using it in their interests. Quite often by concerted actions they achieve a measure of success and obtain concessions from the state.

The economic history of Latin American countries bears frequent witness to foreign monopolies struggling against the state sector of the economy. Especially frequent cases of this struggle are those waged against state-owned enterprises in the key branches of Latin American industry, primarily oil exploration, metallurgy and production of petrochemicals.

The vital significance of oil exploration, metallurgy and production of petrochemicals for the development of the economy in any country, for the economic growth of Latin American nations in particular, poses very acutely the problem of control over these key branches of industry. Those enterprises which control these basic industries, in the long run control the development of industrialisation and establish direct or indirect domination over industry and transport.

Private Latin American capital cannot develop these industries, which require large investment and a lengthy starting period. In Latin America there are very few businesses with sufficient money for their development, and which would wait long enough before making a profit. It should be pointed out that the general national interests are significant for private capital only if they can provide a high rate of profit. Not wishing to struggle with powerful foreign monopolies, Latin American enterprises prefer to invest capital in safer industries which yield quicker profits. Small wonder that under these conditions, the state sector in Latin America is alone capable of withstanding the competition of powerful foreign monopoly capital in the development of oil production, metallurgy and production of petrochemicals.

A feature of contemporary neocolonialism is the fact that, instead of using indirect methods of exploiting the state sector in Latin American countries, US monopolies are now using direct methods on an ever greater scale. This is demonstrated by the increasing number of joint enterprises in which US businessmen cooperate with state capital in Latin America. Such enterprises have sprung up in the key branches of Latin American economy: machine-building, metallurgy and power production.

David Rockefeller described the joint efforts in copper production, in which private US companies cooperated with Chilean state capital, as an historical step which will greatly influence the political climate in Chile.[1]

In setting up joint enterprises, US monopolies are acting with the authority of the state. Their efforts to make contact with political power help them to receive privileges in tax and trade, and priority in obtaining raw materials. They also want to get advantages in obtaining equipment and in selling industrial products. This tactical-

[1] *El Mercurio*. October 28, 1966.

ly and strategically profitable alliance helps US monopolies to disorganise the social struggle on the continent. In any given case, American industrialists act jointly with the state sector, although the latter is considered by the workingmen as a means of achieving economic independence and as a shield against the offensive of foreign capital.

All this helps US monopolies with financial connections and experience to control large Latin American capital by means of very small investments. Sometimes, to set up a subsidiary North American companies do not need any capital at all. By contributing with the technical know-how or a banking credit, they obtain opportunities for administrative guidance and secure high profits. Thus, using national comouflage and enjoying the social support of the Latin American industrial bourgeoisie, US monopolies gradually began to control the local Latin American market.

The Alliance for Progress has expanded the social basis for North American monopolies. By means of loans and credits, which are granted through the recently created *Inter-American Development Bank (IDB),* US monopoly capital has been flirting with the middle and lower levels of the Latin American bourgeoisie. At the end of 1963, the *Inter-American Development Bank* gave the *Industrial Bank of Peru* a loan of five million dollars for financing small and medium enterprises.[1] In the autumn of 1964 the same bank sanctioned a loan of eight million dollars for the development of medium and small

[1] *The Review of the River Plate*, 1963, No. 3517, p. 547.

industry in Chile. The Chilean company *Corporación de Femento de la Producción,* which was authorised to redistribute this loan, channelled 70 per cent of all funds to the development of medium and small enterprises in the metallurgical and timber industries.[1] At the end of 1965 from the same source Brazil received 20.5 million dollars for implementing the programme of credit to small and medium agricultural producers elaborated by the *Banco Central de Republica do Brasil.*[2] Many similar examples can be cited.

The trend towards making contacts with small and medium producers is still very strong. This problem was discussed by the heads of American states at a conference in Punta del Este in April 1967. In the Action Programme proposed by the presidents of the American states, including the US president, it was pointed out that in order to provide industrial processing of agricultural raw materials and increasing the exports of finished agricultural products, it is necessary primarily to support and encourage the development of small and medium industries.

The most serious problem for the contemporary investors of capital in Latin America is the lack of technical personnel to fill executive posts. In other words, great efforts should be made to find Latin American specialists who could sit on the boards of North American companies and provide administrative management, but whose activities would be in concert with the interests of US monopoly capital.

The lack of Latin American technical specia-

[1] *Comercio Exterior,* October 1965, p. 741.
[2] *Ibid.*, December, p. 903.

lists who could work in joint enterprises is becoming increasingly acute. Sending down experts from the US, when there is increasing opposition to all forms of foreign dictation offers no solution. Many Latin American countries are quite happy with the influx of foreign investments, although they are very jealous of the import of administrative personnel. The participation of Latin American specialists in the activities of purely North American enterprises or joint companies is attractive not only from the socio-political point of view. It has a practical significance, too. This participation can provide additional profits for foreign capital because local cadres come in very useful during negotiations and business contacts with the administrators of other Latin American enterprises, and especially with state-owned ones.

Small wonder, therefore, that of late US monopolies have begun to focus great attention on this problem. Cooperation is being established between North American enterprises and Latin American universities and technical colleges. One of the largest chemical monopolies in the United States, the *Du Pont (E. I.) de Nemours & Company* established contacts with several Latin American universities in which Du Pont's representatives deliver special lectures. A number of higher educational establishments which train experts in the field of industry receive economic and technical assistance from North American monopolies which pursue far-reaching aims by conducting these "charitable" activities. For example, the Mexican Instituto Tecnológico y de Estudios Superiores de Monterrey, which is training administrators, economists and accountants uses the same teaching methods as Harvard University.

In view of the growing demand for executives and administrators, monopoly capital sometimes shows initiative and helps create in Latin America special schools and even higher educational establishments to train cadres for US or joint enterprises. It was with the help of Harvard University in the early sixties that a university was built in Nicaragua for training administrative personnel. Representatives of the countries of Central America were trained there, and after graduation went to work at enterprises not only in this particular area but also in other Latin American countries, especially in Mexico.[1]

Technical "assistance" has its own attractive façade. Officially, it is given for training technical specialists, of which there is a great need in Latin American countries. In fact, it binds Latin American countries with invisible chains to North American imperialism.

North American advisers, experts and consultants who are sent to Latin America under various programmes of technical assistance of inter-state and private character are trying to inculcate in those countries the technical and economic standards of the United States or of the company which they represent. Latin American engineers, students and technicians who train in the United States at various industrial enterprises use the North American methods and techniques in national enterprises when they return home. As a result, this technical assistance helps US business quietly penetrate into the young in-

[1] *Comercio Exterior*, April 1965, p. 282.

dustry of Latin America. It is often said in the West that today capital follows the engineer.

In the period of industrialisation, the US monopolies, by participating in joint enterprises, are striving to create economic and political contacts with the industrial and commercial bourgeoisie, while industrial control is concentrated in Washington. However, industrialisation does not only mean the growth and strengthening of the Latin American bourgeoisie, but also the organisational maturity and fighting qualities of the proletariat. The enlargement of industrial enterprises and the modernisation of the structure of industry lead to an increasing concentration of the industrial proletariat, the appearance of the new elements of the working class, the increasing influence of the workers' parties and the sharpening of social struggle. In the major Latin American countries, the proletariat is the largest class and it is emerging as a motive force behind the anti-imperialist democratic movement. This frightens the US monopolies which are watching with concern the discrediting of capitalism in Latin America as a socio-economic system. That is why such energetic efforts are being made to control the process of industrialisation and to subjugate to their influence not only the bourgeoisie but also the working class. In doing this, US monopolies are using a wide range of instruments for influencing the working class by economic, financial and ideological means.

The powerful American concerns, without decreasing their huge profits, often pay the workers slightly higher wages than those in national enterprises which are suffering from high production costs, credit hunger and inflation. This means that American companies pose as saviours whose main concern is the needs of the population, allegedly, at the cost of financial sacrifices. In reality, the wages of Latin American workers at US affiliate enterprises are much lower than those received by American workers. Technically equipped and materially secure North American companies in Latin America often make concessions to the working class without any damage to their own interest. Small wonder that reformist ideology is widely spread among workers engaged in North American enterprises in Latin America.

Today as never before, the United States is trying to exert decisive influence on Latin American trade unions. American monopolies and US trade union bosses are trying to finance and control the trade unions in Latin America. Advisers on trade union affairs are often sent to Latin America on the highest level. In US embassies special attachés deal with trade union questions. Throughout the Latin American continent institutes of trade union training have been set up, designed to train trade union leaders for Latin America.

Class struggles waged on the continent demonstrate the futility of the policy of social reconciliation of Latin American workingmen with foreign imperialism, even though the latter cooperates with the national bourgeoisie.

The economic penetration of the United States into Latin America demonstrates the increasing complexity of the social structure and struggle on the continent. Neocolonialism can be compared to an iceberg, nine-tenths of which is under

water and only one-tenth on the surface. Figures published annually (by the monopolies and by the US Department of Commerce) of direct or private capital investments, the state export of capital, the system of inter-state trade, financial and military agreements, etc.—comprise the surface portion of the iceberg. But there is also the underwater portion of the neocolonialist iceberg — the true economic, political, military and social content of neocolonialism which is so skilfully, and thoroughly, concealed by the new *conquistadores*. This involves not only the actual size of private capital export which is a jealously guarded secret. It also involves a widely ramified system of contacts with the local bourgeoisie which gradually becomes the supporter and active executor of the policies pursued by North American business.

These visible and invisible contacts are sometimes so close that they nullify the efforts of progressive elements to carry on the anti-imperialist struggle. It is due to the existence of camouflaged economic, and consequently political, contacts with the national bourgeoisie that US imperialism still remains a formidable enemy to the liberation struggle of Latin American nations. And whenever US monopoly capital for strategic purposes diminishes its visible domination, its invisible domination is strengthened accordingly.

US IDEOLOGICAL OFFENSIVE

An ideological offensive for the minds of the people has been launched by US imperialism

through its penetration of Latin America in attempts to create a basis of social support there. This ideological offensive acquires special significance today. A professor at Brigham Young University, R. Joseph Monsen, Jr., wrote: "The ideological war the United States is fighting on the international front against communism, particularly among the underdeveloped countries, is perhaps the major battle of our time." [1]

The changing forms of economic and political penetration of the United States in Latin America lead also to the evolution of its ideological expansion. Under the new conditions of the liberation struggle in the Western Hemisphere, US monopolies are compelled to use new methods of ideological warfare. Numerous works published in the past few years, and many statements and speeches of US public figures appeal for revision of the ideologies exported by the United States to Latin America.

Today, when military might proves powerless against the struggle of Latin American peoples for their economic independence and political sovereignty, ideological warfare acquires special significance. This should be considered against the background of the fact that the old ideology has failed and is not applicable to the new conditions. That is the reason why ideological penetration, like other forms of penetration, has undergone changes.

Speculating on the history of the United States, and cleverly manipulating the slogans of the time (it is common knowledge that the US obtained

[1] J. Monsen, *Modern American Capitalism*, Boston, 1963, p. 9.

political independence by overthrowing the power of the British crown), American publicists and theoreticians are trying to make US imperialism more attractive, hypnotise the peoples of the Latin American continent with slogans of anti-colonialism, win their confidence, and then disarm them ideologically and politically. In doing so they often use the names of Washington, Jefferson, and Lincoln, and quote lavishly from the statements of these outstanding figures.

American sociologists admit that the old, traditional capitalism of the 19th century exploited openly. They assert that it no longer exists but is being replaced by a more "perfect" capitalism devoid of its traditional negative features. According to the well-known US economist Walter Rostow, a period of "new partnership" has set in. [1]

The attack on the minds of Latin Americans is being launched from all directions by numerous state and public organisations, private companies and so on, which often resort to the most unexpected methods of camouflaging their real aims. The best brains are used for this purpose: ethnographers, historians, economists, sociologists, etc. Wide use is made of personal contacts between North Americans resident in the countries of Latin America, or on a visit there, and the local people.

US imperialism is waging a major ideological and psychological war against the continent of Latin America. North American monopoly capital must reckon with the new correlation of social

[1] W. W. Rostow, *View from the Seventh Floor*, New York, 1964, p. 25.

forces on the continent, and with the steadily increasing activities of the popular masses seeking ways and means of alleviating their plight. That is why the ideological front is becoming increasingly important to the imperialists in their struggle against peoples seeking economic, political and spiritual freedom.

Today, Latin America is the victim of ideological invasion from the United States. Alongside the capital investments made in the most vital branches of Latin American economy, North American companies are also deeply infiltrating the spiritual life of Latin America.

The mass media: radio, press, television, etc., are today being employed for propaganda purposes as never before. One of the best known ideological instruments is the United States Information Agency established in 1953 by the US Congress, and the Voice of America network operating directly under the State Department and, naturally, serving as the latter's propaganda channel.

The Voice of America beams its transmissions all over the world. It operates over 100 short- and medium-wave transmitters with the total capacity of 15,000 kw. The VOA has some 60 relay stations and a staff of over 1,000 abroad. Its annual budget is over 50 million dollars.

The USIA, which obtains information through 50 branches in Latin America, publishes the bimonthly journal in Spanish called *Problems of Communism*.

Propaganda publications printed in the United States are widely circulated in Latin America. Some magazines (*Life, Vision, Selecciones*) have

bigger circulations in Latin America than their national counterparts.

In its drive to influence the spiritual life, culture, and the thinking of the most important strata of Latin American society, US capital is increasingly using the most effective means of propaganda—the press. Latin America is literally swamped with all sorts of US publications in the Spanish language which are printed in the United States specially for Latin American countries. The circulation of US publications in Latin America is rapidly increasing in scope and tempo. This is due in great measure to the special interest taken in these publications by local advertising agencies which prefer to publish their advertisements in the US Spanish-language publications and pay the highest rates for them. The magazine *Selecciones,* for example, often gives a third of its space to advertisements. About 40 North American companies publish advertisements in this magazine. The situation is very similar with the Spanish-language editions of magazines *Life, Vision, Buenogar,* and others.

The US Spanish-language publications provide a powerful instrument of propaganda for the economic, and especially political, ideas of the US ruling circles. That is why they receive large subsidies from the United States Government and, in particular, from private companies. These publications systematically publish material slanted to suit the interests of the ruling circles of the United States. They help prepare the economic and political invasion of North American capital in the countries of Latin America.

The more dissatisfaction US policies cause in Latin America, the greater is the need to present

these policies in attractive form, the greater the need for make-up. The very nature of neocolonialism requires a much more thorough camouflage than previous bourgeois systems. All colonisers, the conquistadores, like the slave-owners and feudal overlords in their time, plundered and robbed other nations openly, without pretence of helping the national development of their victims, economically or culturally. The more foreign monopoly capital exploits, the more it must brainwash the peoples in whose lands it seeks new profits.

Making wide use of the mass media, the sophisticated US propaganda machinery advertises the "advantages" of the American way of life, the "superiority" of American culture, the efficacy of American democracy. The mass media assert that the recent occupation of the Dominican Republic by the US marines and the current bombings of Vietnam are part of the liberation mission carried out by the United States, while Puerto Rico is a model state to be copied by the countries of Latin America fighting for their liberation.

Interfering further in the affairs of their southern neighbours, US imperialist circles are evolving new propaganda concepts designed to confirm their course. Vivid testimony of this is the recent invention by the propaganda apparatus of the US monopolies of the theory of so-called ideological boundaries. The theorists of the United States financial oligarchy argue that national boundaries have no meaning whatsoever in our times, and that ideas of national sovereignty, the principle of non-interference, and the right to self-determination are obsolete. They should be

replaced by new concepts in concert with the spirit of the times.

The purpose of this "theory" of contemporary colonisers is only to facilitate execution of the world policeman's designs against the people.

The ideas of "popular capitalism," "industrial democracy," "social reconciliation," etc., are flooding Latin America today. In the course of the past decade, the United States has organised the mass production of myths, the aim of which is to camouflage the exploitative nature of North American imperialism, both at home and abroad. The book market of Latin America is swamped with "scientific" publications which assert that contemporary American capitalism is no capitalism at all, but rather a new brand of "popular capitalism" in which property is "scattered," capital is "democratised," profits are "equalised," and classes and class contradictions are disappearing. Bourgeois professors are writing books about "moral revolution," the transformation of foreign political expansion into disinterested economic expansion, into financial and technical aid to the developing countries, etc. All this is done in pursuance of two important strategic aims. *First*, to weaken the social struggle on the continent and, *second*, to show US imperialism as an attractive model.

A special place among the numerous pseudo-scientific theories is occupied by the theory of the "exceptional nature" of American society which is allegedly capable of settling all class contradictions by peaceful means. Latin American countries are flooded with writings abounding in ideas of "social harmony," "class reconciliation" designed to bar the way to the growing re-

volutionary sentiment. In the opinion of the American sociologist, John Powelson, the establishment of cooperation between the workingmen and the bosses is undoubtedly one of the measures to be undertaken by a nation which wants to develop its economy in a democratic way. [1] Cooperation between classes, as an indispensable condition for socio-economic development, is the subject of writings by Chicago University professor of economics, James O'Connor, who quotes as examples the regimes of Vargas in Brazil and Peron in Argentina. [2]

At the present time, US imperialists agree to certain reforms in Latin America—better, naturally, fictitious ones, at worst palliative ones—to preserve their domination in this world area. The aim of these reforms is to frustrate anti-capitalist social transformations and prevent any country from rejecting the world system of capitalism.

The beginning of ideological infiltration of Latin America by the United States, the latter's penetration into Latin American culture and spiritual life, dates back to the last century. Among the important issues on the agenda of the First Pan-American Conference of 1889, was the question of US "aid" in the field of education to the countries of Central and Latin America. Since that first conference, practically all Pan-American conferences have dealt with the problem of education on the continent.

The ideological offensive in the field of education was stepped up after the Second World War. The new elements in this offensive were the

[1] *Revista de la Facultad de Ciencias Económicas*, Cochabamba, April 1963, p. 24.
[2] *Desarrollo*, 1966, No. 4, p. 29.

"Four Points" of the Truman programme and the establishment of the Organisation of American States. The next step was drafting the Alliance for Progress programme which stimulated the ideological and political penetration of the United States. The Ten-Year Education Project of the Alliance for Progress for the years 1961-70 aimed at increasing the subjugation of the Latin American educational system to the interests of the United States.

The strategy of neocolonialism in the cultural field is based on powerful American or international financial organisations in which US interests predominate: the *International Monetary Fund*, the *International Bank for Reconstruction and Development*, the *Inter-American Development Bank*, the *Agency for International Development*, etc. These organisations comprise a powerful and widely ramified system which is served by the sophisticated propaganda machinery of the United States Information Agency.

The exertion of political and spiritual pressure on the masses is one of the main conditions of existence of capitalist society in general and of the system of neocolonialism in particular. In order to maintain its domination in the economy of Latin American countries, US capital is carrying out ideological intervention not only among the Latin American bourgeoisie, but also among the workingmen and primarily among trade unions. It was to attain this end that in 1962 the American Institute for Free Labour Development, attached to the AFL-CIO, set up a special school called the Institute of the Development of Free Trade Unions for training trade union cadres for Latin America. This was done because, as *The*

New York Times wrote in its issue of May 30, 1962, "Latin American unions represent a potentially powerful, political and economic force and can play a major role in the economic and social development of those nations." The trade union cadres trained in the United States can later export to Latin America the concept of "social peace," "American trade union ideas," those of "class cooperation" between industrial bosses and the workers, between the exploiters and the exploited. The Statute of the American Institute for the Development of Free Trade Unions points out that the aim of the Institute is to set up trade union leadership based not on the concepts of the class struggle, but on the constructive role the trade unions can play together with other social sectors, including industrialists. [1]

Neither is there anything striking in the fact that the activities of this Institute are financed by the US concerns of *Standard Oil of New Jersey, Pan American World Airways*, the *Rockefeller Foundation*, etc. As is evident from the admission of the Administrator of the Institute, William Doherty, the most striking thing is that the Institute has never carried out a fund-raising campaign... This is concrete proof that the US businessmen want to promote the creation of free trade unions in Latin America. Summing up the results so far achieved, Doherty said that the Institute has trained 25,000 trade union specialists in 20 countries on money provided by US businessmen. [2]

The subversive ideological activities of this

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[1] *Nueva era*, May 1966, p. 59.
[2] *La Razon*, November 24, 1965.

Institute, whose headquarters is in Washington, D.C. and which aims to subjugate all the activities of the workingmen of Latin America to the interests of North American capital, arouse strong opposition on the continent. An example of this opposition is the decision of the Brazilian Ministry of Labour, adopted in early 1968 under strong pressure from the public, to ban the activities of the Institute for Free Labour Development on the territory of Brazil.

In view of the great role played by the middle classes, the students, and the intelligentsia in the social structure of the continent, the US ruling circles have focussed their attention on the higher educational establishments of Latin America, primarily universities. [1] As was pointed out by the American press, anyone trying to understand the real state of affairs in Latin America, realises that this close attention to the universities is not due simply to "academic interest." "Latin American universities and their students are sources and centers of political power. It is there that political revolutions are not studied and analysed, but planned or prevented." [2] While in the late fifties three-quarters of the students in Sao Paolo University and three-fifths in Buenos Aires University were representatives of higher classes, today an increasingly important role is being played by students from the middle classes and even from workers' families. As a result of this process, the same US newspaper believes that universities in Latin America are considered to-

[1] In Peru, Mexico, and the Dominican Republic, universities appeared long before the establishment of the first university in the United States.
[2] *The New York Times*, March 19, 1961.

day by academic and political experts as barometers of the national future.

It is noteworthy that among all types of aid, the training of specialists is the most attractive for the United States because it provides channels for spreading ideas profitable to North American capital. The educated stratum of high-ranking employees and the technical intelligentsia may exert great influence on further socio-economic development in Latin America. Many leading officials of enterprises or organisations, who received an education in the United States or in Latin American higher educational establishments financed by US foundations, naturally become advocates of the North American way of life and support existing forms of cooperation between Latin American countries and the United States.

The professorial and other teaching staff deliver lectures in Latin American universities, while students and teachers from Latin America go to the United States for training in North American universities. Between the universities in Latin America and their counterparts in North America special agreements are concluded on scientific and cultural cooperation.

Some of the Latin American universities are financed either by the Latin American states or by private US charity foundations. Such financial assistance is granted by the *Ford Foundation*, the *Rockefeller Foundation*, the *Fulbright Foundation*, the *Kellogg Foundation*, the *Guggenheim Foundation*, the *Forest Foundation*, the *Joseph Kennedy Foundation* and others. These foundations exploit the acute lack of funds in Latin American universities to offer their "help" and,

naturally, use it as a vehicle for spreading their influence. The *Fulbright Foundation*, for example, allocates funds for visiting professors who deliver lectures at Latin American educational establishments. Among the visiting professors from the United States was Covey Oliver, Assistant Secretary of State for International Affairs, who lectured at the University of Sao Paulo. [1]

Of late, special foundations for financing educational establishments are being set up by various industrial companies. For example, *Creole Petroleum*, one of the biggest North American companies operating in Venezuela, has established the *Creole Foundation* which is exerting strong influence on many higher educational establishments in the country, in particular with respect to selecting candidates for training in the United States.

Latin America is the continent of the young. In many countries of the area, half the population is under the age of 20. The rapid development of means of communication and mass media finds reflection in the departure of the younger generation from the traditional views of their parents. The younger generation are paying increasing attention to ideology which not only rejects the contemporary system of international relations between the strong powers and the economically backward nations, but criticise the capitalist system itself.

It is understood perfectly well in the United States that it is in the secondary and higher educational establishments that the outlook of the

[1] *El Mercurio*, July 9, 1967.

younger generation is formed. That is why schools, universities and specialised vocational educational establishments use textbooks published in the United States, which directly or indirectly advertise the American way of life, and inculcate a knowledge of American history and politics.

It was immediately after the Second World War that the US press began to lay heavy stress on the ideas of "unrestricted nationalism" propounded in Latin American textbooks. The ideological expansion in the educational field has been stepped up after the beginning of the Alliance for Progress project: the printing of textbooks for Latin American countries started on a grand scale, with the generous financing by the United States. The Guatemalan researcher Torres Rivas wrote bitterly: "Almost all our knowledge of ourselves comes to us from abroad." [1]

Noting the increasing US ideological intervention, many teachers' unions in the countries of Central America oppose the swamping of educational establishments with textbooks printed in the United States.

The Peace Corps is conducting a wide-scale ideological campaign in Latin America. Specialists with higher education recruited as "volunteers" to the Peace Corps are people aged under 30. It is believed that the young people will find it easier to establish contacts with their young Latin American counterparts. One of the official aims of the Peace Corps is assistance to Latin

[1] E. Tores Rivas, *Las classes sociales en Guatemala*, Guatemala, 1962, p. 11.

American countries in the training of national cadres and the improvement of education in general. It is not accidental that more than half the Peace Corps is working in the educational field. They are teaching the growing generation English, lecture in the universities and schools of Central and Latin America.

Senator Hubert Humphrey pointed out that the activities of the Peace Corps in Venezuelan universities were beginning to be felt in the undermining of leftist tendencies, and in the increasing Western influence on students. [1]

However, this is but the outward aspect of the activities of the Peace Corps' "volunteers." There is another, less attractive aspect. Members of the Peace Corps must keep close watch on the political sentiments of Latin American youth, in particular in the remote areas of Latin America where pockets of revolutionary struggle may appear. It was not altruism which prompted officials in the United States to send the vanguard of the Peace Corps to remote areas of the Dominican Republic, Ecuador, Venezuela and the hunger-stricken districts of Brazil. The US imperialists realise that the impoverished villages of Latin America are potentially explosive.

US capital takes special pains today to ensure that Latin American enterprises function on the pattern of North American firms borrowing from them administrative and financial methods, settling conflicts between workers and bosses, etc. Special efforts are made to inculcate the principles of anti-communism in Latin American enterprises. Thus in 1964, the International Executives Business Corps was set up in the United States to assist developing countries by sending experienced American executives there. David Rockefeller is the Vice-Chairman of the Corps. *The New York Times* wrote in its issue of July 16, 1964 that the aim of this organisation is to render assistance to those companies which are seeking experience of administrative leadership rather than technical skills.

Ideological intervention is being conducted now along a very wide front. It embraces not only various fields of science and technology, art and literature, but the economic spheres in general, and industry in particular. By setting up technical schools attached to the US monopolies which have entrenched themselves in Latin America, by training specialists in the United States, and by other subtle means of penetration into the system of education in Latin American countries, North American monopoly capital is striving to train a brand of specialists who, far from understanding the national interests of Latin American countries, would make a fetish of equipment and machinery, and subserve the social system of the United States.

CONCLUSION

The export of capital, credits and loans, the system of trade agreements, patents, technical guidance and so forth—all these means serve the one aim of economic, and consequently political, subjugation of Latin America.

[1] H. Humphrey, *A Report on Alliance for Progress*, Washington, 1963, p. 24.

In the last century, the United States employed many of the methods of colonisation used by the traditional colonial powers in Latin America. Today, many of the old colonial powers are using the brand-new methods elaborated in the offices of the US State Department, the Pentagon, CIA and similar institutions. For instance, France has set up her corps of Volunteers in the Name of Progress on the pattern of the American Peace Corps. The aim of the French organisation is to conduct ideological work in the developing countries.

To the United States, Latin America is a kind of experimental station. The US monopolies are trying to use the methods perfected in Latin America in other parts of the world. Analysing US Asian policy, the British publicist, Mende, used a very apt term—"Latin-Americanisation of South-East Asia."

An analysis of neocolonialist methods in Latin America helps us to understand some of the peculiarities of neocolonialism as a world policy, the evolution of this policy and its "contemporary" modifications. It leads to a correct understanding of the complicated socio-economic processes occurring in the world today. This, in turn, is significant for the planning of correct strategy and tactics for developing nations seeking forms of socio-economic reconstruction.

З. РОМАНОВА
ЛАБОРАТОРИЯ НЕОКОЛОНИАЛИЗМА США
на английском языке
Цена 32 коп.